

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

**CITY OF SHELBYVILLE, TENNESSEE**

June 30, 2014

**WINNETT**  
*Associates, PLLC*

Certified Public Accountants and Consultants

## **INTRODUCTORY SECTION**

# CONTENTS

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## INTRODUCTORY SECTION

Officials.....	Page	5
----------------	------	---

## FINANCIAL SECTION

Independent Auditor's Report.....	7
-----------------------------------	---

Management's Discussion and Analysis.....	10
---	----

### Basic Financial Statements:

#### Government-wide Financial Statements

Statement of Net Position .....	16
---------------------------------	----

Statement of Activities .....	17
-------------------------------	----

#### Fund Financial Statements:

Balance Sheet – Governmental Funds .....	18
--	----

Statement of Revenues, Expenditures, and Changes in Fund	
--	--

Balances – Governmental Funds .....	19
-------------------------------------	----

Reconciliation of the Statement of Revenues, Expenditures, and Changes	
--	--

In Fund Balances of Governmental Funds to the Statement of Activities.....	20
--	----

Statement of Revenues, Expenditures, and Changes in Fund	
--	--

Balance – Budget and Actual – General Fund.....	21
---	----

Statement of Net Position – Proprietary Funds .....	26
---	----

Statement of Revenues, Expenses, and Changes in	
---	--

Net Position – Proprietary Funds.....	27
---------------------------------------	----

Statement of Cash Flows – Proprietary Funds.....	28
--	----

Notes to the Financial Statements.....	30
--	----

### Required Supplementary Information:

Schedule of Funding Progress – Post-Employment Benefits .....	53
---	----

Schedule of Funding Progress – Pension Benefits .....	54
---	----

### Supplemental Information:

Description of Nonmajor Governmental Funds .....	56
--	----

#### Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds.....	57
--	----

Combining Statement of Revenues, Expenditures and	
---	--

Changes in Fund Balances – Nonmajor Governmental Funds.....	58
---	----

Schedules of Revenues, Expenditures, and Changes in	
---	--

Fund Balances – Budget and Actual:	
------------------------------------	--

State Street Aid Special Revenue Fund.....	59
--	----

Hotel/ Motel Special Revenue Fund .....	60
---	----

Police Drug Special Revenue Fund.....	61
---------------------------------------	----

Police Equipment Special Revenue Fund .....	62
---	----

Greenway Capital Projects Fund.....	63
-------------------------------------	----

## CONTENTS (Continued)

---

### Miscellaneous Schedules:

Schedule of Long-Term Debt, Principal and Interest Requirements by Fiscal Year – All Funds.....	64
Uncollected Delinquent Taxes Filed in Accordance With Applicable Laws .....	65
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Solid Waste Fund .....	66
Utility Rate Structure and Number of Customers .....	67
AWWA Reporting Worksheet .....	70
Schedule of Changes in Property Taxes Receivable-by Levy Year .....	71
Property Tax Rates and Assessments – Last Ten Years.....	72

### INTERNAL CONTROL AND COMPLIANCE/ SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards and State Financial Assistance .....	74
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	75
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	77
Schedule of Findings and Questioned Costs .....	79

**OFFICIALS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**JUNE 30, 2014**

MAYOR                      Wallace Cartwright

VICE-MAYOR              Thomas Landers

COUNCILMEMBERS      Ward 1 - Henry Feldhaus III

Ward 2 - Sam Meek

Ward 3 - Kay Rose

Ward 4 - Jamie Williams

Ward 5 - Jean Pruitt

Ward 6 - Thomas Landers

OTHER OFFICIALS      City Manager - Jay Johnson

City Recorder - Vacant\*

City Treasurer - Jamey Owen

City Judge - John T. Bobo

City Attorney - Ginger Shofner

\* Shanna Boyette assumed the position of City Recorder during August, 2014.

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Councilmembers  
City of Shelbyville  
Shelbyville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Shelbyville, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shelbyville Power, Water and Sewerage Systems, which represent 100 percent of the assets, net position, and revenues of the business-type activities. The Shelbyville Power, Water and Sewerage Systems are also major funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Shelbyville Power, Water and Sewerage Systems, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelbyville, Tennessee, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note X to the financial statements, the City of Shelbyville, Tennessee adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 10 through 15 and 53 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Shelbyville, Tennessee's, basic financial statements. The introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements and budgetary schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



The introductory section and miscellaneous schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the City of Shelbyville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering City of Shelbyville, Tennessee's internal control over financial reporting and compliance.

*Winnett Associates, PLLC*

December 19, 2014

**CITY OF SHELBYVILLE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended June 30, 2014**

As management of the City of Shelbyville, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

This report consists of management's presentations concerning the finances of the City of Shelbyville. Consequently, management assumes full responsibility for the completeness and reliability for all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Shelbyville has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Shelbyville's financial statements in conformity with GAAP. Because the cost of internal controls should outweigh their benefits, the City of Shelbyville's comprehensive framework of internal controls has been designated to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

## **Using this Annual Report**

This Annual Report (the "Report") consists of a series of financial statements. The Statement of Net Position and Statement of Activities (pages 16-17) provide information about the City as a whole and provide a long-term view of the City's finances. Fund financial statements begin on page 18, and tell how government activities were financed in the short term, as well as what remains for future spending. The Report deals with two types of funds, governmental and proprietary. The only proprietary funds are those maintained by the separately chartered Shelbyville Power, Water and Sewerage System. The governmental funds record the City's activities in providing basic municipal services.

## **Governmental Funds**

The Report refers to the General Fund and Other Governmental Funds. The General Fund is the basic operating fund for all city departments. The Other Governmental Funds are Special Revenue Funds and Capital Projects Funds. The funds are maintained and reported using the modified accrual method of accounting. In its accounting system, the City maintains the following funds which are consolidated into the General Fund for purposes of the Report: Fixed Asset Group, Capital, Budget Reserve, and Recoveries. These funds have been established to enable the City to improve its financial position by developing and managing cash reserves for budget shortfalls, equipment, and capital expenditures.

The Shelbyville Power, Water & Sewerage Systems are composed of three separate divisions that are financially accounted for on a separate basis. All divisions are reportable to the General Manager. The General Manager reports to a five-member board that is appointed by the Mayor and the City Council of the City of Shelbyville, TN.

## **Financial Highlights**

- The City's governmental activities' total liabilities and deferred inflows of resources increased by \$3,772,320. This was due to the Wright law suit liability, the issuance of a \$1,700,000 loan for our energy efficient capital expenditures, and including the reduction of accounts payable due to airport grant payable reductions and a reduction in deferred property taxes of \$175,318.

- The assets of the governmental activities of the City of Shelbyville exceeded its liabilities at the close of the fiscal year ended 2014 by \$33,406,375 which is an increase of \$1,330,746 from the prior year.
- Governmental activities total expenses increased by \$2,233,857 for 2014. The increased spending is mostly being driven by an energy project of \$1,689,475 and the completion of our Airport grant activity for capital.
- The assets and deferred outflows of resources of the Shelbyville Power, Water and Sewerage Systems exceeded their liabilities at the close of the most recent fiscal year by \$75,990,706. Of this amount, \$29,710,316 may be used to meet the Systems ongoing obligations to suppliers and creditors.
- The Shelbyville Power, Water and Sewerage Systems' total net position increased by \$3,206,827.

According to the Shelbyville Power, Water and Sewerage Systems' management, the statement of net position of the Systems is very solid. Plant is being well maintained and improved based on needs forecast well into the future. Debt is being conservatively managed with debt service coverage leverage ratios that are more than adequate. Cash reserves are more than adequate for all systems.

#### *Power System*

Total power system assets went from \$36,633,220 fiscal year ending June 30, 2013 to \$38,974,726 fiscal year ending June 30, 2014. Current assets increased from \$18,282,331 to \$20,655,002. Plant, net of accumulated depreciation, decreased from \$17,968,528 to \$17,941,851. Other assets increased from \$365,926 to \$377,873. Total power system liabilities increased from \$4,646,855 to \$4,732,148. Current liabilities increased from \$4,134,032 to \$4,194,081. Long-term liabilities increased from \$512,823 to \$538,067.

Income before capital contributions for the power system decreased from \$2,765,224 in fiscal year ending 2013 to \$2,256,213 in fiscal year ending 2014. Total operating revenue decreased from \$34,231,008 to \$35,626,403. This is a function of weather, growth in our customer base, rate increases, and unbilled revenue. Operational and maintenance expenses increased from \$3,489,853 in 2013 to \$3,938,652 in 2014. Other income (expense) decreased from \$32,758 to \$3,510. Interest expense on customer deposits increased from \$4,216 to \$34,467.

#### *Water System*

Total water system assets decreased from \$23,314,698 to \$23,094,312. Current assets increased from \$7,126,470 to \$7,141,909. Plant, net of accumulated depreciation, decreased from \$15,204,928 to \$14,963,054. Deferred outflow of resources decreased from \$258,534 to \$241,674. Total liabilities decreased from \$3,628,221 to \$3,455,483. Long-term liabilities decreased from \$3,222,564 to \$2,973,002.

Income (loss) before capital contributions decreased from \$2,850 to \$(83,908). Total operating revenue showed an increase from \$3,894,154 to \$3,942,178. Operational and maintenance expenses increased from \$2,931,426 to \$3,071,542. Interest expense decreased from \$79,266 to \$74,280.

#### *Sewerage System*

Total sewerage system assets increased from \$46,336,977 to \$47,130,988. Current assets increased from \$6,557,526 to \$6,732,118. Plant, net of accumulated depreciation, increased from \$39,676,195 to \$40,302,339. Total liabilities decreased from \$25,484,474 to \$25,263,363. Long-term liabilities decreased from \$25,109,505 to \$24,055,064.

Income before capital contributions for the sewerage system went from \$1,091,586 in fiscal year ending 2013 to \$843,303 in fiscal year ending 2014. Sewer rates are based on water usage and bill at approximately 135% of the water rate. Sewer operational and maintenance expenses showed an increase from \$2,186,065 to \$2,222,780. Interest expense increased from \$159,778 to \$271,645.

Condensed Statement of Activities  
June 30, 2014

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
		(Restated)		(Restated)		(Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 1,359,154	\$ 1,385,079	\$ 43,563,881	\$ 42,056,921	\$ 44,923,035	\$ 43,442,000
Operating grants	696,854	689,834	-	-	696,854	689,834
Capital grants	2,848,068	2,218,693	191,219	209,934	3,039,287	2,428,627
General revenues:						
Property taxes	6,136,566	6,073,881	-	-	6,136,566	6,073,881
Other taxes	5,077,913	5,032,095	-	-	5,077,913	5,032,095
Other	<u>2,362,937</u>	<u>2,150,420</u>	<u>52,732</u>	<u>76,288</u>	<u>2,415,669</u>	<u>2,226,708</u>
Total revenues	<u>18,481,492</u>	<u>17,550,002</u>	<u>43,807,832</u>	<u>42,343,143</u>	<u>62,289,324</u>	<u>59,893,145</u>
Expenses:						
General government	7,595,529	4,878,661	-	-	8,095,529	4,878,661
Public recreation	1,346,505	1,421,193	-	-	1,346,505	1,421,193
Public safety	4,679,860	4,298,856	-	-	4,679,860	4,298,856
Public works	2,904,730	3,071,706	-	-	2,904,730	3,071,706
Airport	829,398	841,094	-	-	829,398	841,094
Welfare	262,420	254,709	-	-	262,420	254,709
Industrial development	145,116	781,094	-	-	145,116	781,094
Interest on debt	28,346	10,734	-	-	28,346	10,734
Power	-	-	32,747,652	31,486,625	32,747,652	31,486,625
Water	-	-	4,052,685	3,933,275	4,052,685	3,933,275
Sewerage	-	-	3,159,510	2,853,649	3,159,510	2,853,649
Total expenses	<u>17,791,904</u>	<u>15,558,047</u>	<u>39,959,847</u>	<u>38,273,549</u>	<u>57,751,751</u>	<u>53,831,596</u>
Excess (deficiency) in net position before transfers	689,588	1,991,955	3,847,985	4,069,594	4,537,573	6,061,549
Transfers	<u>641,158</u>	<u>594,687</u>	<u>(641,158)</u>	<u>(594,687)</u>	-	-
Change in net position	1,330,746	2,586,642	3,206,827	3,474,907	4,537,573	6,061,549
Net position-beginning	<u>32,075,629</u>	<u>29,488,987</u>	<u>72,783,879</u>	<u>69,308,972</u>	<u>104,859,508</u>	<u>98,797,959</u>
Net position-ending	<u>\$ 33,406,375</u>	<u>\$ 32,075,629</u>	<u>\$ 75,990,706</u>	<u>\$ 72,783,879</u>	<u>\$ 109,397,081</u>	<u>\$ 104,859,508</u>

Condensed Statement of Net Position  
June 30, 2014

	Governmental activities		Business-type activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
		(Restated)		(Restated)		(Restated)
Current and other assets	\$ 17,286,720	\$ 16,515,825	\$ 35,992,782	\$ 33,435,244	\$ 53,279,502	\$ 49,951,069
Capital assets	<u>28,540,203</u>	<u>24,208,032</u>	<u>73,207,244</u>	<u>72,849,651</u>	<u>101,747,447</u>	<u>97,057,683</u>
Total assets	<u>45,826,923</u>	<u>40,723,857</u>	<u>109,200,026</u>	<u>106,284,895</u>	<u>155,026,949</u>	<u>147,008,752</u>
Total deferred outflows of resources	-	-	241,674	258,534	241,674	258,534
Long-term liabilities	5,957,658	1,348,097	27,566,133	28,844,892	33,523,791	30,192,989
Other liabilities	<u>625,338</u>	<u>1,287,261</u>	<u>5,884,861</u>	<u>4,914,658</u>	<u>6,510,199</u>	<u>6,201,919</u>
Total liabilities	<u>6,582,996</u>	<u>2,635,358</u>	<u>33,450,994</u>	<u>33,759,550</u>	<u>40,033,990</u>	<u>36,394,908</u>
Total deferred inflows of resources	<u>5,837,552</u>	<u>6,012,870</u>	-	-	<u>5,837,552</u>	<u>6,012,870</u>
Net position:						
Net investment in capital assets	26,565,774	23,804,096	45,465,179	44,736,375	72,030,953	68,540,471
Restricted	228,661	191,188	815,211	829,870	1,043,872	1,021,058
Unrestricted	<u>6,611,940</u>	<u>8,080,345</u>	<u>29,710,316</u>	<u>27,217,634</u>	<u>36,322,256</u>	<u>35,297,979</u>
Total net position	<u>\$ 33,406,375</u>	<u>\$ 32,075,629</u>	<u>\$ 75,990,706</u>	<u>\$ 72,783,879</u>	<u>\$ 109,397,081</u>	<u>\$ 104,859,508</u>

## **The City as a Whole**

The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities. The statements of the City are reported on the accrual basis of accounting. This means the expenses are recognized when they are incurred and revenues are accounted for when they are earned and not when the money is received. The financial stability of the City remains about the same from the prior year. The net position increased from the prior year which proves the stability of the City is increasing. However, the City has incurred a liability of \$3,000,000 due to a lawsuit settlement related to the Wright Paving case. This will have a break out of \$2,000,000 to be paid in 2015, \$500,000 to be paid in 2016 and the balance of \$500,000 to be paid within five years. This will have an impact on the City's reserves in 2015 as well as a reduction in budget for 2015 and possibly 2016 but with the stability of the City we will strive to rebuild the reserves to their original amounts.

The Statement of Net Position and the Statement of Activities are divided into two categories. These two categories are governmental activities and business activities. The governmental activities report the basic services of the City such as public general administration, public safety, public works, parks and recreation and airport. The business type activities cover the business of the Shelbyville Power, Water and Sewerage System, which is maintained under a separate Charter.

## **Overview of the Financial Statements**

Total revenues for the general government were \$18,481,492 which is an increase of \$931,940 from FY 2013. This is greatly due to the City continuing to take advantage of state and federal grants. Some grants included were Airport grants for \$2,514,574, STP projects totaling \$319,759, and state street aid funding of \$88,224. The City's major income is property taxes, which supplied the City with 35 percent of total general fund revenue. The second major source of revenue was the local sales tax that supplied 20 percent of the City's general fund revenue. Property taxes, grants, sales taxes, franchise taxes, business licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are recognized when cash is received.

As stated earlier, the City of Shelbyville's assets of its governmental activities exceeded its liabilities by \$33,406,375. The City's investments are in capital assets. These assets are used to provide services to the citizens of Shelbyville. Cash and cash equivalents of the City's governmental activities increased by \$1,144,692 from FY 2013 to FY 2014.

The financial statements of the Systems report information about the Systems using accounting methods similar to those used by private sector companies. These statements offer short-term (current) and long-term (noncurrent) financial information about its activities. The Statement of Net Position includes all of the Systems' assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing operating results, evaluating the capital structure of the Systems and assessing the liquidity and financial flexibility of the Systems. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Systems' operations over the past year, and can be used to determine whether the Systems have successfully recovered its costs through user fees and other charges, and to assess its profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Systems' cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding resources of cash, uses of cash, and the change in the cash balance during the reporting period.

## Capital Assets

Some capital purchased items for this year include the following: the competition of the Airport taxiway project, STP projects including the resurfacing of 300' of Elm Street from Delray to RR10 (Main Street) and the signalization of the intersection of SR 64 (Depot Street) and Bethany Lane/Coney Island Road, the replacement of the original recreation center HVAC units, recreation center generator system and many other energy efficient upgrades. Additional items include: Solid Waste transfer trailer, Never Rest playground equipment, a police crime scene vehicle, police vehicles, fitness equipment for our recreation center and many other smaller items.

The Systems' investment in capital assets as of June 30, 2014, amounts to \$73,207,244 (net of accumulated depreciation). Depreciation charges for the year totaled \$2,352,593. The total increase in the Systems' investment in capital assets for the current fiscal year was \$357,593 (.49%).

### The Systems' Capital Assets (as of June 30,)

	2014	2013
Land and land rights	\$ 634,862	\$ 634,862
Structures and improvements	41,005,077	19,938,988
Distribution plant	68,975,519	66,871,343
Furniture and fixtures	938,400	889,483
Transportation equipment	2,524,121	2,320,529
Equipment	2,030,925	2,018,397
Construction in process	2,246,865	23,169,229
Less: Accumulated depreciation	(45,148,525)	(42,993,180)
	<u>\$ 73,207,244</u>	<u>\$ 72,849,651</u>

## Long – Term Debt

At the end of the current fiscal year the governmental activities of the City of Shelbyville included total outstanding long-term debt of \$1,903,000. The long-term debt of the City is used to finance the assets acquired by the City. The City has issued new long-term debt during the year in the amount of \$1,700,000 which was used to purchase many new pieces of capital but mostly capital for the recreation center including a new HVAC system, generator system and other energy efficient equipment. This will be paid off in 2025. T-Hanger debt has been completed and the fire pumper loan that was originally for \$300,000 will be paid in full in 2015

At the end of the current fiscal year, the Systems had total outstanding debt for notes, bonds, and other obligations of \$28,292,746.

### The Systems' Outstanding Debt (as of June 30,)

	2014	2013 (Restated)
Bonds payable	\$ 5,425,000	\$ 5,655,000
Less: deferred loss	(5,687)	(5,929)
	<u>5,419,313</u>	<u>5,649,071</u>
Notes payable	<u>22,804,426</u>	<u>22,963,176</u>
Net OPEB obligation	<u>69,007</u>	<u>55,521</u>
Total outstanding debt	<u>\$ 28,292,746</u>	<u>\$ 28,667,768</u>

Power system notes, bonds and other obligation debt at fiscal year-end 2014 was \$23,003.

Water system notes, bonds and other obligation debt was \$3,153,002.

Sewer system notes, bonds and other obligation debt totaled \$28,292,746.

## **General Fund Budget Performance**

For fiscal year 2014, the City budgeted \$15,470,591 in total expenses for the original budget. This budget amount was amended at the end of the fiscal year to \$18,382,721. The budget amendment was based on the year-end amounts before audit adjustments. Although the final numbers show that the City spent more in expenses than originally budgeted this was driven by the budget amendments for the Ameresco Energy expenses for \$1,689,475 and the completion of the Airport Taxiway grant for \$2,646,918. Other departments continued to control spending and were under their departmental budgets.

## **Rates**

Power system rates increased along with TVA rates quarterly during the fiscal year. Water system rates increased as of January 1, 2010, and sewer system rates increased as of January 1, 2011.

## **Looking to the Future**

The City is continuing to focus efforts on revising and enhancing our financial reporting and policies. The City plans to continue with grant participation to help fund some of the capital needs to better serve the City. In the past couple of years, the City has started the process of making some needed repairs to the buildings and equipment as well as buying needed fixed assets that have been delayed in the past few years because of the economy. The housing industry continues to face difficulties but we are beginning to see a slight change which is reflected in the very slight increase in the City's overall tax collections; it is anticipated that we will continue to see a slow growth in the retail economy which will increase our sales tax collections.

## **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Treasurer, 201 North Spring Street, Shelbyville, Tennessee 37160.

**STATEMENT OF NET POSITION**  
**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,693,674	\$ 29,121,132	\$ 36,814,806
Taxes receivable - net	7,548,514	-	7,548,514
Accounts receivable	7,392	4,722,517	4,729,909
Intergovernmental receivable	794,814	-	794,814
Other receivables	500,000	80,148	580,148
Inventory and other assets	89,454	530,365	619,819
Overfunded net pension obligation	652,872	-	652,872
Energy conservation loans	-	377,873	377,873
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	1,085,880	1,085,880
Capital assets:			
Land and construction in progress	5,015,289	2,881,727	7,897,016
Other capital assets, net of accumulated depreciation	23,524,914	70,325,517	93,850,431
<b>TOTAL ASSETS</b>	<u>45,826,923</u>	<u>109,125,159</u>	<u>154,952,082</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts from refunding of debt	-	241,674	241,674
<b>LIABILITIES</b>			
Accounts payable	356,606	2,755,180	3,111,786
Accrued expenses and other liabilities	138,604	176,031	314,635
Deposits	47,408	1,623,873	1,671,281
Internal balances	74,867	(74,867)	-
Funds held in trust	7,853	-	7,853
Liabilities payable from restricted assets	-	270,669	270,669
Noncurrent liabilities:			
Due in one year	2,246,076	1,059,108	3,305,184
Due in more than one year	3,711,582	27,566,133	31,277,715
<b>TOTAL LIABILITIES</b>	<u>6,582,996</u>	<u>33,376,127</u>	<u>39,959,123</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred current property taxes	5,837,552	-	5,837,552
<b>NET POSITION</b>			
Net investment in capital assets	26,565,774	45,465,179	72,030,953
Restricted for:			
Highways and streets	166,072	-	166,072
Drug education and enforcement	32,589	-	32,589
TV station	30,000	-	30,000
Debt service	-	815,211	815,211
Unrestricted	6,611,940	29,710,316	36,322,256
<b>TOTAL NET POSITION</b>	<u>\$ 33,406,375</u>	<u>\$ 75,990,706</u>	<u>\$ 109,397,081</u>

The accompanying notes are an integral part of this financial statement.



**STATEMENT OF ACTIVITIES**  
**CITY OF SHELBYVILLE, TENNESSEE**

**For the year ended June 30, 2014**

Functions/ Programs	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 7,595,529	\$ 153,606	\$ 5,271	\$ -	\$ (7,436,652)	\$ -	\$ (7,436,652)
Public recreation	1,346,505	303,453	1,748	-	(1,041,304)	-	(1,041,304)
Public safety	4,679,860	251,552	59,206	13,735	(4,355,367)	-	(4,355,367)
Public works	2,904,730	23,622	614,742	319,759	(1,946,607)	-	(1,946,607)
Airport	829,398	626,921	15,887	2,514,574	2,327,984	-	2,327,984
Welfare	262,420	-	-	-	(262,420)	-	(262,420)
Industrial development	145,116	-	-	-	(145,116)	-	(145,116)
Interest on long-term debt	28,346	-	-	-	(28,346)	-	(28,346)
Total governmental activities	<u>17,791,904</u>	<u>1,359,154</u>	<u>696,854</u>	<u>2,848,068</u>	<u>(12,887,828)</u>	<u>-</u>	<u>(12,887,828)</u>
Business-type activities							
Power system	32,747,652	35,626,403	-	-	-	2,878,751	2,878,751
Water system	4,052,685	3,942,178	-	19,400	-	(91,107)	(91,107)
Sewerage system	3,159,510	3,995,300	-	171,819	-	1,007,609	1,007,609
Total business-type activities	<u>39,959,847</u>	<u>43,563,881</u>	<u>-</u>	<u>191,219</u>	<u>-</u>	<u>3,795,253</u>	<u>3,795,253</u>
Total primary government	<u>\$ 57,751,751</u>	<u>\$ 44,923,035</u>	<u>\$ 696,854</u>	<u>\$ 3,039,287</u>	<u>\$ (12,887,828)</u>	<u>\$ 3,795,253</u>	<u>\$ (9,092,575)</u>
General revenues:							
Property taxes					\$ 6,136,566	\$ -	\$ 6,136,566
Business taxes					325,579	-	325,579
Local sales taxes					3,536,422	-	3,536,422
Beverage taxes					758,316	-	758,316
Franchise taxes					150,440	-	150,440
Payments in lieu of taxes					162,040	-	162,040
Penalties and interest					96,619	-	96,619
State shared revenues					2,063,115	-	2,063,115
Hotel/Motel taxes					145,116	-	145,116
Gain on sale of capital assets					130,061	-	130,061
Other					62,317	-	62,317
Unrestricted investment earnings					10,825	52,732	63,557
Transfers					641,158	(641,158)	-
Total general revenues					<u>14,218,574</u>	<u>(588,426)</u>	<u>13,630,148</u>
Change in net position					1,330,746	3,206,827	4,537,573
Net position - beginning of period, as restated					32,075,629	72,783,879	104,859,508
Net position - end of period					<u>\$ 33,406,375</u>	<u>\$ 75,990,706</u>	<u>\$ 109,397,081</u>

The accompanying notes are an integral part of this financial statement.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**June 30, 2014**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets and deferred outflows of resources</b>			
Assets:			
Cash	\$ 7,501,331	\$ 192,343	\$ 7,693,674
Taxes receivable - net	7,529,169	19,345	7,548,514
Accounts receivable	7,392	-	7,392
Intergovernmental receivable	702,760	92,054	794,814
Inventory and other assets	89,454	-	89,454
Total assets	<u>15,830,106</u>	<u>303,742</u>	<u>16,133,848</u>
Deferred outflows of resources:	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u><u>\$ 15,830,106</u></u>	<u><u>\$ 303,742</u></u>	<u><u>\$ 16,133,848</u></u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>			
Liabilities:			
Accounts payable	\$ 336,859	\$ 19,747	\$ 356,606
Accrued wages	138,604	-	138,604
Deposits	47,408	-	47,408
Due to other funds	50,210	24,657	74,867
Funds held in trust	-	7,853	7,853
Total liabilities	<u>573,081</u>	<u>52,257</u>	<u>625,338</u>
Deferred inflows of resources:			
Unavailable revenue - state and local taxes	32,140	-	32,140
Unavailable revenue - property taxes	6,489,360	-	6,489,360
Total deferred inflows of resources	<u>6,521,500</u>	<u>-</u>	<u>6,521,500</u>
Fund balances:			
Nonspendable			
Inventory and other assets	89,454	-	89,454
Restricted			
Cable TV	30,000	-	30,000
Police	-	55,413	55,413
State street aid	-	166,072	166,072
Assigned			
Public recreation	-	30,000	30,000
Stormwater management	187,448	-	187,448
Sanitation	75,304	-	75,304
State road projects	772,820	-	772,820
Community development	250,000	-	250,000
Capital assets	1,123,185	-	1,123,185
Unassigned	6,207,314	-	6,207,314
Total fund balances	<u>8,735,525</u>	<u>251,485</u>	<u>8,987,010</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 15,830,106</u></u>	<u><u>\$ 303,742</u></u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			28,540,203
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			1,336,820
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(5,457,658)
			<u><u>\$ 33,406,375</u></u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**CITY OF SHELBYVILLE, TENNESSEE**

**Year ended June 30, 2014**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 11,007,314	\$ 145,116	\$ 11,152,430
Payments in lieu of taxes	162,040	-	162,040
Penalties and interest	96,619	-	96,619
Licenses and permits	45,563	-	45,563
Intergovernmental	4,962,364	536,579	5,498,943
Charges for services	1,126,565	-	1,126,565
Fines	214,520	18,069	232,589
Miscellaneous	25,489	359	25,848
Investment earnings	10,608	217	10,825
Total revenues	<u>17,651,082</u>	<u>700,340</u>	<u>18,351,422</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	5,027,593	-	5,027,593
Parks and recreation	2,807,746	-	2,807,746
Public safety	4,816,786	34,820	4,851,606
Public works	2,572,476	502,773	3,075,249
Airport	3,410,134	-	3,410,134
Welfare	258,004	-	258,004
Industrial development	-	145,116	145,116
<b>Debt service:</b>			
Principal retirement	200,776	-	200,776
Interest payments on notes	28,507	-	28,507
Total expenditures	<u>19,122,022</u>	<u>682,709</u>	<u>19,804,731</u>
Excess of revenues over (under) expenditures	<u>(1,470,940)</u>	<u>17,631</u>	<u>(1,453,309)</u>
<b>Other financing sources (uses):</b>			
Transfers in	641,158	-	641,158
Sales of general capital assets	102,383	2,500	104,883
Capital outlay notes issued	1,700,000	-	1,700,000
Insurance recoveries	41,182	-	41,182
Total other financing sources (uses)	<u>2,484,723</u>	<u>2,500</u>	<u>2,487,223</u>
Net change in fund balances	1,013,783	20,131	1,033,914
Fund balances - July 1, 2013	7,721,742	231,354	7,953,096
Fund balances - June 30, 2014	<u>\$ 8,735,525</u>	<u>\$ 251,485</u>	<u>\$ 8,987,010</u>

The accompanying notes are an integral part of this financial statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**CITY OF SHELBYVILLE, TENNESSEE**

**For the year ended June 30, 2014**

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Amounts reported by governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,033,914
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	5,087,031
Depreciation expense	(838,856)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position:	
Donations of capital assets received	100,000
Sales and abandonments of capital assets	(16,004)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue	(99,991)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Promissory note principal payments	200,937
Capital outlay note issued	(1,700,000)
Legal settlement	(2,500,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	2,511
Net pension obligation	174,213
Net OPEB obligation	(113,009)
Change in net position of governmental activities	<u><u>\$ 1,330,746</u></u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes:				
Property	\$ 5,879,218	\$ 6,038,283	\$ 6,236,557	\$ 198,274
Business	368,497	325,579	325,579	-
Local sales	3,529,627	3,536,422	3,536,422	-
Beverage	749,050	758,316	758,316	-
Franchise	132,244	150,440	150,440	-
Payments in lieu of taxes	188,468	162,040	162,040	-
Penalties and interest	78,882	96,619	96,619	-
Licenses and permits	41,280	45,563	45,563	-
Intergovernmental revenues				
State sales tax allocation	1,423,450	1,450,753	1,450,753	-
State income tax allocation	90,845	149,510	149,510	-
State beer tax allocation	9,956	9,622	9,622	-
State mixed drink tax allocation	22,200	36,367	36,367	-
State gasoline and motor fuel tax	41,557	41,629	41,629	-
State excise tax allocation	83,720	146,300	146,300	-
State TVA in lieu	223,685	228,934	228,934	-
State and federal grant funds	862,222	2,982,048	2,844,794	(137,254)
State supplements	66,891	54,455	54,455	-
Charges for services	994,495	1,124,059	1,124,059	-
Fines	273,801	214,520	214,520	-
Miscellaneous	3,700	25,489	25,489	-
Investment earnings	18,000	10,608	10,608	-
<b>TOTAL REVENUES</b>	<b>15,081,788</b>	<b>17,587,556</b>	<b>17,648,576</b>	<b>61,020</b>
<b>EXPENDITURES</b>				
General government:				
General government				
Salaries	370,959	370,397	370,397	-
Professional services	216,636	223,983	223,983	-
Payroll taxes	499,267	512,235	512,235	-
Travel and business	23,594	26,906	26,906	-
Mayor and council salaries	57,600	57,600	57,600	-
Computer software	19,500	41,721	41,721	-
Health and disability insurance	1,244,252	1,218,095	1,218,095	-
Retirement	1,229,021	1,240,770	1,240,770	-
Insurance	414,716	455,321	455,321	-
Electric tax equivalent	135,705	144,261	144,261	-
Advertising	19,300	21,641	21,641	-
Employee recognition programs	65,515	66,158	66,158	-
Capital outlay	68,000	53,289	44,480	8,809
Other general government	170,373	141,586	139,838	1,748
	<b>4,534,438</b>	<b>4,573,963</b>	<b>4,563,406</b>	<b>10,557</b>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>				
General government:				
Planning and zoning				
Salaries	\$ 120,471	\$ 166,212	\$ 166,212	\$ -
Professional services	24,300	8,930	8,930	-
Employee education and training	5,000	5,529	5,529	-
Utilities	2,453	2,745	2,745	-
Gasoline and oil	2,600	2,420	2,420	-
Fees paid to state	14,366	20,099	20,099	-
Subscriptions and dues	5,460	5,530	5,530	-
Capital outlay	10,795	18,935	18,935	-
Other planning and zoning	106,528	13,569	13,601	(32)
	<u>291,973</u>	<u>243,969</u>	<u>244,001</u>	<u>(32)</u>
Cemetery				
Salaries	88,218	89,463	89,463	-
Utilities	5,245	5,928	5,928	-
Maintenance and repair	3,940	5,403	5,403	-
Gasoline and oil	6,187	6,619	6,619	-
Capital outlay	-	2,151	2,151	-
Other cemetery	10,136	3,937	3,932	5
	<u>113,726</u>	<u>113,501</u>	<u>113,496</u>	<u>5</u>
Animal control				
Salaries	79,077	82,122	82,122	-
Utilities	7,889	8,401	8,401	-
Maintenance and repair	2,032	3,386	3,386	-
Gasoline and oil	6,123	4,473	4,473	-
Capital outlay	72,000	2,851	2,851	-
Other animal control	5,523	5,457	5,457	-
	<u>172,644</u>	<u>106,690</u>	<u>106,690</u>	<u>-</u>
Public recreation:				
Parks and recreation				
Salaries	309,424	294,129	294,129	-
Utilities	31,815	29,164	29,164	-
Maintenance and repair	60,243	46,918	46,918	-
Gasoline and oil	22,200	19,693	19,693	-
Chemical supplies	10,165	3,087	3,087	-
Capital outlay	8,000	-	-	-
Other parks and recreation	28,865	22,316	22,316	-
	<u>470,712</u>	<u>415,307</u>	<u>415,307</u>	<u>-</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>				
General government:				
Recreational center				
Salaries	\$ 427,601	\$ 452,381	\$ 452,381	\$ -
Utilities	167,858	166,225	166,225	-
Maintenance and repair	49,216	35,627	35,627	-
Recreational programming	14,430	13,834	13,834	-
Office supplies and materials	4,200	4,670	4,670	-
Chemical supplies	20,720	11,625	11,625	-
Employee education and training	6,683	5,266	5,266	-
Capital outlay	21,400	1,600,697	1,600,697	-
Other recreational center	38,609	32,133	31,790	343
	<u>750,717</u>	<u>2,322,458</u>	<u>2,322,115</u>	<u>343</u>
Sports league				
Salaries	40,926	34,876	34,876	-
Professional services	28,500	16,550	16,550	-
Clothing and uniforms	6,578	4,735	4,735	-
Materials	3,040	2,881	2,881	-
Other sports league	12,899	11,282	11,282	-
	<u>91,943</u>	<u>70,324</u>	<u>70,324</u>	<u>-</u>
Public safety:				
Police				
Salaries	2,287,353	2,273,867	2,276,371	(2,504)
Salary supplement	31,215	35,080	35,080	-
Employee education and training	40,729	17,260	17,260	-
Utilities	46,687	50,011	50,011	-
Maintenance and repair	70,492	49,144	49,144	-
Gasoline and fuel	136,798	105,680	105,680	-
Fees paid to state	17,901	18,459	18,459	-
Computer software	19,569	14,637	14,637	-
Office supplies and materials	10,760	10,225	10,225	-
Clothing and uniforms	13,792	17,127	17,127	-
Capital outlay	241,700	198,827	177,550	21,277
Other police	49,785	39,871	39,583	288
	<u>2,966,781</u>	<u>2,830,188</u>	<u>2,811,127</u>	<u>19,061</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
EXPENDITURES (Continued)				
Public safety:				
Fire				
Salaries	\$ 1,590,966	\$ 1,511,312	\$ 1,511,312	\$ -
Salary supplement	22,200	20,400	20,400	-
Volunteer firemen	10,920	9,370	9,370	-
Employee education and training	15,005	11,958	11,958	-
Utilities	42,474	37,150	37,150	-
Maintenance and repair	37,131	36,884	38,660	(1,776)
Gasoline and fuel	24,150	22,530	22,530	-
Fire hydrant rental	139,695	136,928	136,928	-
Expendable tools	23,300	21,068	21,068	-
Clothing and uniforms	22,648	25,728	25,728	-
Capital outlay	498,664	242,246	138,467	103,779
Other fire	26,379	32,093	32,088	5
	<u>2,453,532</u>	<u>2,107,667</u>	<u>2,005,659</u>	<u>102,008</u>
Public works:				
Streets				
Salaries	868,317	842,550	842,550	-
Utilities	23,806	20,850	20,850	-
Maintenance and repair	56,752	42,913	42,913	-
Gasoline and fuel	107,975	87,059	87,059	-
Expendable materials	36,554	47,425	47,425	-
Construction material	44,788	107,194	107,194	-
Clothing and uniforms	12,071	9,461	9,461	-
Chemical supplies	12,735	4,637	4,637	-
State road paving	88,222	80,150	80,150	-
State road projects	880,171	407,771	407,771	-
Capital outlay	29,000	48,113	48,113	-
Other streets	38,112	23,800	23,667	133
	<u>2,198,503</u>	<u>1,721,923</u>	<u>1,721,790</u>	<u>133</u>
Stormwater management				
Professional services	25,000	19,298	19,298	-
Gasoline and oil	2,516	1,748	1,748	-
Construction material	92,000	41,762	37,886	3,876
Infrastructure	-	42,781	42,781	-
Other stormwater management	14,806	13,408	9,672	3,736
	<u>134,322</u>	<u>118,997</u>	<u>111,385</u>	<u>7,612</u>



**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>				
Finance				
Retirement of capital outlay notes	\$ 209,858	\$ 200,776	\$ 200,776	\$ -
Interest on capital outlay notes	3,104	28,507	28,507	-
Other debt service	5,005	-	-	-
	<u>217,967</u>	<u>229,283</u>	<u>229,283</u>	<u>-</u>
Airport				
Salaries	134,137	116,107	116,107	-
Professional services	56,000	56,520	56,520	-
Utilities	41,479	36,987	36,987	-
Maintenance and repair	26,057	23,733	23,733	-
Fuel for resale	486,349	479,038	479,038	-
Insurance	8,560	7,229	7,229	-
Bank service charges	11,836	12,948	12,948	-
Capital outlay	13,600	2,760,148	2,648,186	111,962
Other recreational center	32,436	29,544	29,386	158
	<u>810,454</u>	<u>3,522,254</u>	<u>3,410,134</u>	<u>112,120</u>
Welfare	262,879	258,004	258,004	-
TOTAL EXPENDITURES	<u>15,470,591</u>	<u>18,634,528</u>	<u>18,382,721</u>	<u>251,807</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(388,803)</u>	<u>(1,046,972)</u>	<u>(734,145)</u>	<u>312,827</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	603,133	641,158	641,158	-
Transfers out	(527,574)	(529,884)	(763,056)	(233,172)
Sales of general capital assets	6,600	102,383	102,383	-
Capital outlay notes issued	-	1,700,000	1,700,000	-
Insurance recoveries	-	41,182	41,182	-
TOTAL OTHER FINANCING USES	<u>82,159</u>	<u>1,954,839</u>	<u>1,721,667</u>	<u>(233,172)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (306,644)</u>	<u>\$ 907,867</u>	<u>987,522</u>	<u>\$ 79,655</u>
FUND BALANCE - BEGINNING			7,672,698	
FUND BALANCE - END			<u>\$ 8,660,220</u>	
Reconciliation to fund financial statements:				
Excess of revenues over expenditures - budgetary			\$ 987,522	
Revenues and expenditures not included in budgetary statements:				
Sanitation - charges for services			2,506	
Sanitation - expenditures			(739,301)	
General fund transfer to sanitation fund			763,056	
Excess of revenues over expenditures - page 19			<u>\$ 1,013,783</u>	

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**Year ended June 30, 2014**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 15,759,671	\$ 6,843,222	\$ 6,518,239	\$ 29,121,132
Accounts receivable, net of allowance	4,457,781	162,090	177,513	4,797,384
Other receivables	78,408	1,419	321	80,148
Inventory	349,408	135,178	26,034	510,620
Other assets	9,734	-	10,011	19,745
Total current assets	<u>20,655,002</u>	<u>7,141,909</u>	<u>6,732,118</u>	<u>34,529,029</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	989,349	96,531	1,085,880
Energy conservation loans	377,873	-	-	377,873
Capital assets	17,941,851	14,963,054	40,302,339	73,207,244
Total noncurrent assets	<u>18,319,724</u>	<u>15,952,403</u>	<u>40,398,870</u>	<u>74,670,997</u>
<b>TOTAL ASSETS</b>	<u>38,974,726</u>	<u>23,094,312</u>	<u>47,130,988</u>	<u>109,200,026</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts from refunding of debt	-	241,674	-	241,674
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>38,974,726</u>	<u>23,335,986</u>	<u>47,130,988</u>	<u>109,441,700</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,688,595	26,648	39,937	2,755,180
Notes payable	-	-	1,059,108	1,059,108
Accrued expenses and other liabilities	54,545	78,652	-	133,197
Accrued interest	-	-	42,834	42,834
Customer deposits	1,450,941	166,512	6,420	1,623,873
Total current liabilities	<u>4,194,081</u>	<u>271,812</u>	<u>1,148,299</u>	<u>5,614,192</u>
Current liabilities payable from restricted assets:				
Bonds payable	-	180,000	60,000	240,000
Accrued interest	-	30,669	-	30,669
Total current liabilities payable from restricted assets	<u>-</u>	<u>210,669</u>	<u>60,000</u>	<u>270,669</u>
Noncurrent liabilities:				
Conservation - TVA program	377,873	-	-	377,873
Accrued vacation	137,192	-	57,430	194,622
Bonds payable	-	2,950,000	2,229,313	5,179,313
Notes payable	-	-	21,745,318	21,745,318
Net OPEB liability	23,002	23,002	23,003	69,007
Total noncurrent liabilities	<u>538,067</u>	<u>2,973,002</u>	<u>24,055,064</u>	<u>27,566,133</u>
<b>TOTAL LIABILITIES</b>	<u>4,732,148</u>	<u>3,455,483</u>	<u>25,263,363</u>	<u>33,450,994</u>
<b>NET POSITION</b>				
Net investment in capital assets	17,941,851	12,254,728	15,268,600	45,465,179
Restricted	-	778,680	36,531	815,211
Unrestricted	16,300,727	6,847,095	6,562,494	29,710,316
<b>TOTAL NET POSITION</b>	<u>\$ 34,242,578</u>	<u>\$ 19,880,503</u>	<u>\$ 21,867,625</u>	<u>\$ 75,990,706</u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS**

**CITY OF SHELBYVILLE, TENNESSEE**

**Year ended June 30, 2014**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
Operating revenues:				
Charges for services pledged as security for revenue bonds	\$ 34,991,892	\$ 3,871,022	\$ 3,945,785	\$ 42,808,699
Forfeited discounts and penalties	222,211	33,037	49,515	304,763
Rental income	281,422	-	-	281,422
Other operating revenue	130,878	38,119	-	168,997
TOTAL OPERATING REVENUE	35,626,403	3,942,178	3,995,300	43,563,881
Operating expenses:				
Purchased power	27,999,785	-	-	27,999,785
Operational expenses	3,074,606	2,260,944	1,816,814	7,152,364
Maintenance expense	864,046	810,598	405,966	2,080,610
Depreciation and amortization	771,238	906,863	665,085	2,343,186
TOTAL OPERATING EXPENSES	32,709,675	3,978,405	2,887,865	39,575,945
OPERATING INCOME	2,916,728	(36,227)	1,107,435	3,987,936
Nonoperating revenues (expenses):				
Interest income	18,620	26,599	7,513	52,732
Interest expense	(34,467)	(74,280)	(271,645)	(380,392)
Other income (expenses)	(3,510)	-	-	(3,510)
TOTAL NONOPERATING REVENUES (EXPENSES)	(19,357)	(47,681)	(264,132)	(331,170)
INCOME BEFORE CONTRIBUTIONS	2,897,371	(83,908)	843,303	3,656,766
Transfers out	(641,158)	-	-	(641,158)
Capital contributions	-	19,400	14,350	33,750
Contributions in aid-grants	-	-	157,469	157,469
CHANGE IN NET POSITION	2,256,213	(64,508)	1,015,122	3,206,827
NET POSITION, BEGINNING OF YEAR, RESTATED	31,986,365	19,945,011	20,852,503	72,783,879
NET POSITION, END OF YEAR	\$ 34,242,578	\$ 19,880,503	\$ 21,867,625	\$ 75,990,706

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2014

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers (including other funds)	\$ 35,379,629	\$ 3,939,524	\$ 4,002,556	\$ 43,321,709
Payments to suppliers	(29,899,563)	(1,723,233)	(1,298,828)	(32,921,624)
Cash paid to employees	(1,943,760)	(1,332,932)	(893,341)	(4,170,033)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,536,306</u>	<u>883,359</u>	<u>1,810,387</u>	<u>6,230,052</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributed	-	19,400	14,350	33,750
Other income (expense)	(3,510)	-	-	(3,510)
Proceeds from issuance of long-term debt, net of issuance cost	-	-	329,317	329,317
Acquisition and construction of capital assets	(744,558)	(648,129)	(1,290,560)	(2,683,247)
Principal paid on long-term debt	-	(175,000)	(543,067)	(718,067)
Interest paid on long-term debt	-	(76,335)	(282,100)	(358,435)
Interest paid on customer deposits	(34,467)	-	-	(34,467)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(782,535)</u>	<u>(880,064)</u>	<u>(1,772,060)</u>	<u>(3,434,659)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase in customer deposits	44,731	5,678	-	50,409
Issuance of energy conservation loans	(11,947)	-	-	(11,947)
Payments to DREMC for transfers of members	(635)	-	-	(635)
Transfers to other funds	(641,158)	-	-	(641,158)
Home weatherization loan advances	11,947	-	-	11,947
NET CASH PROVIDED(USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>(597,062)</u>	<u>5,678</u>	<u>-</u>	<u>(591,384)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES - Interest and other income</b>				
	<u>18,623</u>	<u>27,045</u>	<u>8,049</u>	<u>53,717</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,175,332	36,018	46,376	2,257,726
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,584,339	7,796,553	6,410,925	27,791,817
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 15,759,671</u>	<u>\$ 7,832,571</u>	<u>\$ 6,457,301</u>	<u>\$ 30,049,543</u>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>				
Unrestricted cash and cash equivalents	\$ 15,759,671	\$ 6,843,222	\$ 6,518,239	\$ 29,121,132
Restricted cash and cash equivalents	-	989,349	96,531	1,085,880
	<u>\$ 15,759,671</u>	<u>\$ 7,832,571</u>	<u>\$ 6,614,770</u>	<u>\$ 30,207,012</u>

**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**June 30, 2014**

	Business type activities - Enterprise Funds			
	Power System	Water System	Sewerage System	Total
RECONCILIATION OF OPERATING INCOME TO				
NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 2,916,728	\$ (36,227)	\$ 1,107,435	\$ 3,987,936
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	771,238	906,863	665,085	2,343,186
Provision for bad debts	71,377	16,739	31,721	119,837
(Increase) decrease in:				
Accounts receivable	(257,444)	(13,341)	7,256	(263,529)
Inventory	(1,833)	-	(4,218)	(6,051)
Other assets	(3,679)	-	-	(3,679)
Due from other funds	10,670	10,687	-	21,357
Increase (decrease) in:				
Accounts payable	(18,427)	546	(9,495)	(27,376)
Other liabilities	-	-	4,495	4,495
Due to other funds	-	(10,670)	-	(10,670)
Accrued expenses	47,676	8,762	8,108	64,546
Total adjustments	619,578	919,586	702,952	2,242,116
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,536,306	\$ 883,359	\$ 1,810,387	\$ 6,230,052

The accompanying notes are an integral part of this financial statement.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(1) Financial reporting entity and introduction**

The City of Shelbyville, Tennessee (the City) was incorporated in 1819, and its citizens elect a Mayor at large and six-member governing council (council) by wards. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Shelbyville (the government) and its component units. There are no legally separate component units of City of Shelbyville, which meet the criteria for being reported as part of the government.

The Shelbyville Power, Water and Sewerage Systems (Systems) are comprised of three enterprise funds, the Shelbyville Power System, the Shelbyville Water System, and the Shelbyville Sewerage System. These proprietary funds issue combined separately audited general purpose financial statements, copies of which may be obtained from their administrative office, 308 South Main Street, Shelbyville, Tennessee.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

**(2) Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's power, water, and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2014

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund - This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major enterprise funds:

Power System - This fund accounts for the activities of the government's power distributions operations.

Water System - This fund accounts for the activities of the government's water distribution system.

Sewerage System - This fund accounts for the activities of the government's sewerage collection system.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/ from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similar, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

(3) Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. For expenditure-driven grants, in a departure from the 60 day period defined above, the consideration to defer recognition of revenue is considered in situations where reimbursement is not expected within a reasonable period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**(4) Revenues and expenditures/expenses**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes attach as an enforceable lien on real property as of January 1st. Taxes are levied on October 1 and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent March 1. The City bills and collects its own property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for sales and services. The Shelbyville Power, Water and Sewerage Systems recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2014

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Fund balance policies

Governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council has not authorized anyone to make assignments.

Unassigned fund balance – the residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When this occurs the government will determine the best use of funds based on the specific facts and circumstances at that time.

(6) Net position flow assumption

The City will on occasion fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When this occurs the government will determine the best use of funds based on the specific facts and circumstances at that time.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2014

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#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on bond refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenue as deferred inflows of resources on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City reports deferred current property taxes as an inflow of resources on the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period for which property taxes are levied.

(8) Long-term liabilities and debt issuance

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt is recorded net of the applicable premium or discount. Debt issuance costs, other than insurance, are charged to expense in the period incurred. Debt premiums and discounts are deferred and amortized over the life of the debt using a method that approximates the interest method. In the fund financial statements, governmental fund types recognize premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(9) Energy Conservation Loans

The Shelbyville Power System is fiscal intermediary for the TVA energy conservation program whereby loans are made to the Power System's customers to be used in connection with TVA's Residential Energy Services Program. Pursuant to the terms of an agreement with TVA, the energy conservation loans made to the System's customers are funded and guaranteed by TVA. These loans to customers are recorded as other assets, with the corresponding liability to TVA recorded as long-term debt.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2014

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) Inventories and prepaid items

Governmental funds' fuel and merchandise inventory is valued using the first-in/ first-out method and is recorded as an expenditure when consumed rather than when purchased. The enterprise funds' materials and supplies inventories are stated at lower of cost or market, with cost being determined on an average cost basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

(11) Budgetary Information

Formal budgetary accounting is employed as a management control for all governmental funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, special revenue funds, and capital projects funds; the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a basis consistent with generally accepted accounting principles. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council approves all budget amendments.

Under *Tennessee Code Annotated* section 68-211-874, the City is required to account for its solid waste collection activities in a separate fund. The City accounts for these activities in a separate sanitation fund which does not qualify as a special revenue fund under generally accepted accounting principles. Accordingly, for fund reporting, the sanitation fund is included as a part of the general fund, but for budgetary reporting is not included as part of the general fund. Page 25 includes a reconciliation of the general fund budgetary reporting to the general fund reporting on page 19 under generally accepted accounting principles.

(12) Compensated Absences

The government's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

(13) Statement of Cash Flows

For the purposes of the statement of cash flows, the government considers all cash deposits and certificates of deposit with an original maturity of three months or less when acquired to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2014

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(14) Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, except for land and infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and useful life in excess of one year. Land need only cost \$1 to be reported as a capital asset and only infrastructure projects that cost more than \$20,000 are reported as capital assets.

As the government constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. Interest capitalized by the enterprise funds during the year ended June 30, 2014, totaled \$223,571.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings and improvements	15 - 75
Equipment	3 - 20
Vehicles	10 - 35
Infrastructure	75 - 100

(15) Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles. An allowance is established for delinquent taxes to the extent that their collectability is improbable. The allowance for uncollectible property taxes at June 30, 2014, is \$22,551.

Customer utility accounts receivable of the enterprise funds are presented net of an allowance for uncollectible accounts of \$137,313. Bad debt expense for the current year is \$119,837. Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The enterprise funds use the reserve method, based upon a review of the current status of receivables and historical experience, in determining bad debt expense.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The power system has unbilled revenue of \$1,113,331 as of June 30, 2014. The water system and the sewerage system have followed the practice of not recording unbilled revenue unless considered significant.

**NOTE B - DEPOSITS AND INVESTMENTS**

**Deposits:**

Cash of the enterprise funds includes petty cash and amounts in demand deposits and money market accounts. The enterprise funds invest cash in excess of current requirements in various interest-bearing accounts such as certificates of deposit with financial institutions which are carried at cost. The governmental funds invest funds in an interest bearing public funds checking account. These funds are stated at cost which approximates fair value.

The government does not have a formal policy that limits custodial credit risk for deposits. Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned to it. However, the government follows state statutes which require all deposits with financial institutions to be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that deposits be collateralized with collateral whose market value is equal to 105% of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the government.

At June 30, 2014, the entire carrying amount of the government's cash deposits, were covered by F.D.I.C. insurance, collateralized with securities pledged that comply with statutes as acceptable collateral, or were held with a financial institution participating in the bank collateral pool administered by the state treasurer.

At June 30, 2014, the carrying amount of the Systems' deposits was \$30,207,012 and the amount of the banks balances was \$32,510,226. Of the bank balances, \$1,250,000 was covered by Federal depository insurance, and \$7,649,092 was collateralized with securities pledged that comply with statutes as acceptable collateral, and \$23,611,134 was collateralized by the banks' participation in the Tennessee State Collateral Pool.

**Investments:**

State statutes authorize the government to invest in bonds, notes, or treasury bills of the U.S. government or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the U.S. government or its agencies as the underlying securities, and the Local Government Investment Pool established by Title 9, Chapter 4, Part 7, *Tennessee Code Annotated*. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. The government had no investments as of June 30, 2014.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

**NOTE C - INCOME TAXES**

Being a municipality, all funds of the government, including its proprietary funds, are exempt from Federal and State income taxes.

**NOTE D - RELATED ORGANIZATIONS**

The mayor and councilmembers are responsible for appointing board members of the Shelbyville Housing Authority and the Industrial Development Board, but the government's accountability for these organizations does not extend beyond making the appointments.

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,539,516	\$ 258,555	\$ 2,500	\$ 2,795,571
Construction in progress	1,484,089	4,926,116	2,911,348	3,498,857
Total capital assets, not being depreciated	<u>4,023,605</u>	<u>5,184,671</u>	<u>2,913,848</u>	<u>6,294,428</u>
Capital assets, being depreciated:				
Buildings	11,138,955	342,232	16,000	11,465,187
Equipment	2,142,835	1,877,324	6,500	4,013,659
Vehicles	6,412,137	237,324	296,147	6,353,314
Infrastructure	<u>9,122,930</u>	<u>743,580</u>	<u>-</u>	<u>9,866,510</u>
Total capital assets being depreciated	28,816,857	3,200,460	318,647	31,698,670
Less accumulated depreciation for:				
Buildings	3,190,586	207,543	7,266	3,390,863
Equipment	1,186,388	172,398	1,730	1,357,056
Vehicles	3,158,073	325,831	204,063	3,279,841
Infrastructure	<u>1,267,802</u>	<u>157,333</u>	<u>-</u>	<u>1,425,135</u>
Total accumulated depreciation	<u>8,802,849</u>	<u>863,105</u>	<u>213,059</u>	<u>9,452,895</u>
Total capital assets, being depreciated, net	<u>20,014,008</u>	<u>2,337,355</u>	<u>105,588</u>	<u>22,245,775</u>
Governmental activities capital assets, net	<u>\$ 24,037,613</u>	<u>\$ 7,522,026</u>	<u>\$ 3,019,436</u>	<u>\$ 28,540,203</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

**NOTE E - CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 634,862	\$ -	\$ -	\$ 634,862
Construction in progress	23,169,229	2,211,240	23,133,604	2,246,865
Total capital assets, not being depreciated	<u>23,804,091</u>	<u>2,211,240</u>	<u>23,133,604</u>	<u>2,881,727</u>
Capital assets, being depreciated:				
Structures and improvements	19,938,988	21,066,089	-	41,005,077
Distribution plant	66,871,343	2,236,057	131,881	68,975,519
Furniture and fixtures	889,483	48,917	-	938,400
Transportation equipment	2,320,529	203,592	-	2,524,121
Equipment	<u>2,018,397</u>	<u>17,251</u>	<u>4,723</u>	<u>2,030,925</u>
Total capital assets, being depreciated	92,038,740	23,571,906	136,604	115,474,042
Less accumulated depreciation for:				
Structures and improvements	5,971,540	642,572	-	6,614,112
Distribution plant	32,239,721	1,601,779	192,607	33,648,893
Furniture and fixtures	813,423	9,631	-	823,054
Transportation equipment	2,142,891	70,381	-	2,213,272
Equipment	<u>1,825,605</u>	<u>28,230</u>	<u>4,641</u>	<u>1,849,194</u>
Total accumulated depreciation	<u>42,993,180</u>	<u>2,352,593</u>	<u>197,248</u>	<u>45,148,525</u>
Total capital assets, being depreciated, net	<u>49,045,560</u>	<u>21,219,313</u>	<u>60,644</u>	<u>70,325,517</u>
Business-type activities capital assets, net	<u>\$ 72,849,651</u>	<u>\$ 23,430,553</u>	<u>\$ 23,072,960</u>	<u>\$ 73,207,244</u>

Depreciation expense was charged to functions/ programs of the primary government as follows:

Governmental activities:	
General government	\$ 37,596
Public recreation	166,417
Public safety	285,423
Public works	274,559
Airport	70,445
Welfare	<u>4,416</u>
Total depreciation expense - governmental activities	<u>\$ 838,856</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

**NOTE E - CAPITAL ASSETS (Continued)**

Business-type activities:	
Power system	\$ 771,238
Water system	890,002
Sewerage system	<u>664,415</u>
Total depreciation expense - business-type activities	<u>\$ 2,325,655</u>

**NOTE F - LONG-TERM DEBT**

Capital outlay notes

The government has issued \$1,700,000 of capital outlay notes to finance the cost of energy efficiency improvements. These capital outlay notes are direct obligations and are secured by the full faith and credit of the government. The government has also issued \$300,000 of capital outlay notes to finance the purchase of a fire truck. These capital outlay notes are direct obligations and are secured by the full faith and credit of the government. Capital outlay notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Amount</u>
Governmental activities	2.66%	2025	\$ 1,700,000
Governmental activities	1.99	2015	<u>203,000</u>
			<u>\$ 1,903,000</u>

Annual debt service requirements to maturity for capital outlay notes are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 204,000	\$ 46,882
2016	211,000	42,042
2017	114,000	38,064
2018	121,000	34,939
2019	128,000	31,628
2020-2024	759,000	101,361
2025-2026	<u>366,000</u>	<u>9,868</u>
Total	<u>\$ 1,903,000</u>	<u>\$ 304,784</u>

Revenue bonds and notes payable

Revenue bonds and notes payable of the business-type activities outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest rates</u>	<u>Maturity</u>	<u>Amount</u>
Water and sewer - revenue bonds	4.0 – 4.500%	8/01/2037	\$ 2,295,000
Water and sewer - revenue bonds	1.25 – 2.8%	8/01/2028	3,130,000
Sewerage system – revolving loan	1.70%	6/30/2037	3,092,983
Sewerage system – revolving loan	-	-	<u>19,711,443</u>
			<u>\$ 28,229,426</u>



**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

**NOTE F - LONG-TERM DEBT (Continued)**

The bonds are, among other things, secured by the revenues of the Systems. In addition, the Systems have complied with the bond resolution requirements as adopted by the Systems.

The debt service requirements for the enterprise funds' bonds and notes are as follows:

Year Ending June 30	Business-Type Activities		
	Bonds	Notes	Total
2015	\$ 240,000	\$ 1,059,108	\$ 1,299,108
2016	240,000	1,077,936	1,317,936
2017	245,000	1,097,112	1,342,112
2018	255,000	1,116,612	1,371,612
2019	255,000	1,136,472	1,391,472
2020-2024	1,415,000	5,992,740	7,407,740
2025-2029	1,640,000	6,005,299	7,645,299
2030-2034	575,000	5,220,129	5,795,129
2035-2038	560,000	99,018	659,018
Total	<u>\$ 5,425,000</u>	<u>\$ 22,804,426</u>	<u>\$ 28,229,426</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital outlay notes	\$ 403,937	\$ 1,700,000	\$ 200,937	\$ 1,903,000	\$ 204,000
Post-employment benefit obligation	413,739	133,130	20,121	526,748	-
Settlement	-	3,000,000	-	3,000,000	2,000,000
Compensated absences	530,421	430,002	432,513	527,910	42,076
Long-term liabilities	<u>\$ 1,348,097</u>	<u>\$ 5,263,132</u>	<u>\$ 653,571</u>	<u>\$ 5,957,658</u>	<u>\$ 2,246,076</u>
Business-type activities:					
Revenue bonds	\$ 5,649,071	\$ 242	\$ 230,000	\$ 5,419,313	\$ 240,000
Notes payable	23,329,102	341,264	488,067	23,182,299	1,059,108
Compensated absences	252,066	-	57,444	194,622	-
Post-employment benefit obligation	55,521	13,486	-	69,007	-
Long-term liabilities	<u>\$ 29,285,760</u>	<u>\$ 354,992</u>	<u>\$ 775,511</u>	<u>\$ 28,865,241</u>	<u>\$ 1,299,108</u>

**NOTE G - CLEAN WATER STATE REVOLVING FUNDS**

Beginning in 2007, the sewerage system received funding for sanitary sewer system improvements through the Clean Water State Revolving Fund. The amount of funding for the project has been revised from \$24,800,000 to \$19,988,683, the final cost of the project and represents the total funds drawn on the loan. The loan is payable at \$99,055 monthly until February 28, 2034, at 1.78%. The project was completed on March 1, 2014. Principal paid on the loan during the year ended June 30, 2014 totaled \$277,239.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

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**NOTE H - COMMITMENTS AND CONTINGENCIES**

The water system and four other water systems in the Upper Duck River area entered into an agreement with the Tennessee Valley Authority (TVA) whereby, commencing February 25, 1972, each water system began paying monthly to TVA five cents (\$.05) for each 1,000 gallons of water sold by it during the preceding month. The funds will go to return the Agencies' portion of the debt incurred to build the Normandy and Columbia reservoirs. Such payments shall be made regardless of the source of water sold and shall continue until a total of \$16,200,000 has been paid to TVA by the group. There has been no division of the total liability between the parties to the contract.

The government is party to legal proceedings that normally occur in governmental operations. Any proceedings are unlikely to have a material adverse effect on its financial position.

Under its power contract, effective as of August 15, 1979, the power system is committed to purchase its electric power from TVA. This contract expired in 1999, and an amendment was signed to extend the contract. The amendment continues the contract for a term not less than five years, subject to termination by either party, with not less than five years written notice. The rates paid for the power and energy supplied by TVA shall be in accordance with the provisions of the Wholesale Power Rate - Schedule WS.

In connection with the Tennessee Valley Authority, the Shelbyville Power System makes loans to individuals wishing to make their homes more energy efficient. The Shelbyville Power System is required to use the funds, including repayments, in making further loans, or to reduce the advance by TVA.

At June 30, 2014, the Systems had several construction projects in process. The Systems take bids for these projects and award construction contracts to various companies.

**NOTE I - PENSION PLAN**

**GENERAL GOVERNMENT:**

**Plan Description**

The Retirement Plan for Full-Time Employees of the City of Shelbyville, Tennessee, (Plan), is a single-employer defined benefit pension plan that covers full time employees who have completed one (1) year of continuous service and have reached age 21 and who were not hired after age 59. The Plan was amended effective July 1, 2005, to freeze the Plan to new participants. The Plan provides retirement, termination, disability and death benefits to plan members and beneficiaries. The council assigns the City Manager to administer the Plan who in turn delegates certain daily administrative duties to employees of the administrative staff. All the benefits and provisions of the Plan are at the discretion of the council and are consistent with the laws of Tennessee and the United States government. The Plan does not issue a publicly available financial report.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

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NOTE I - PENSION PLAN (Continued)

Funding Policy

Effective for Plan years after December 31, 1984, Plan members may not contribute to the Plan. Prior to January 1, 1985, Plan members were required to contribute. Prior contributions continue to accrue interest at 4% annually. The City has no regulatory amount to contribute, but has established an informal policy to annually contribute, on a quarterly basis, an actuarially determined amount based on the previous January 1 actuarial valuation. For the year ended June 30, 2014, the City contributed \$1,023,492.

The annual required contribution (ARC) for the fiscal year ended June 30, 2014, was determined as part of the actuarial valuation for the Plan Year beginning January 1, 2013, and is the December 31, 2013 recommended contribution using the traditional unit credit cost method. The actuarial assumptions included (a) funding rate of 7.75% per year compounded annually and (b) projected salary increase of 4.0% per year. The actuarial value of assets is equal to the market value of the assets held in the separate accounts at Aetna Life Insurance Company. The unfunded actuarial liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2013, ranged from 5 to 20 years depending on the date the amortization base was established.

The government's annual pension cost (APC) and net pension asset (NPA) for the Plan are as follows:

Annual required contribution (ARC)	\$ 824,476
Interest on NPA	(34,654)
Amortization of NPA	<u>42,853</u>
Annual pension cost (APC)	832,675
Contributions made	<u>(1,023,492)</u>
Increase in net pension asset	(190,817)
Net pension asset, beginning of year	<u>(462,055)</u>
Net pension asset, end of year	<u>\$ (652,872)</u>

The government's APC, percentage of APC contributed, and NPA for the plan for the current year and each of the two preceding years were as follows:

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation\ (Asset)
2014	\$ 832,675	122.9%	\$ (652,872)
2013	844,829	121.1	(478,659)
2012	887,616	115.7	(299,996)

The council established the benefit provisions of this plan, and they have the authority to amend those provisions. They also authorize the contributions to the plan.

As of January 1, 2014, the most recent actuarial valuation date, the funded status of the plan was as follows:

## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2014

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#### NOTE I - PENSION PLAN (Continued)

Actuarial accrued liability (AAL)	\$ 10,295,633
Actuarial value of plan assets	<u>8,735,393</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,560,240</u>
Funded ratio (actuarial value of plan assets/AAL)	85%
Covered payroll	\$ 3,110,414
UAAL as a percentage of covered payroll	50.16%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### PROPRIETARY FUNDS:

##### Plan Description

The Systems' defined benefit plan, "Shelbyville Power, Water and Sewerage Systems" provides retirement and death benefits to plan members and beneficiaries. The Systems joined the Central Service Association Pension Plan (CSA), a cost sharing multiple employer defined benefit pension plan for utility systems in 1997. Benefits are determined by a formula using the member's average monthly earnings and years of service. A reduced retirement benefit is available to vested members who are age 55 and have 10 years of service. The CSA issues a publicly available financial report that includes the financial statements and required supplementary information for CSA. That report can be obtained by writing to CSA, P. O. Box 3480, Tupelo, Mississippi 38803-3480.

##### Funding Policy

The Systems are required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by CSA. If a participant becomes totally disabled before termination of employment, he is 100% vested. After completing five years of service, an employee is entitled to 100% of his accrued benefit. The plan is available to employees after attaining age 24 ½ and completing 6 months of service. Market value of assets as of October 1, 2013 totaled \$13,738,411. Contributions totaled \$987,654 for both employer and employee portions. The covered payroll totaled \$3,756,660.

#### NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City maintains two separate single-employer defined benefit post-employment healthcare plans. One covers the general government while the other covers employees of Shelbyville Power, Water, and Sewerage Systems.

The following is a summary of each of these plans:

##### PLAN DESCRIPTION-SHELBYVILLE POWER, WATER AND SEWER SYSTEMS

The Systems sponsor a single-employer postretirement medical plan. The plan provides medical, prescription and death benefits to eligible retirees and their spouses. The Plan allows employees to continue health insurance between the ages of 62 and 65.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2014

NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

PLAN DESCRIPTION-GENERAL GOVERNMENT

The government administers a single-employer defined benefit healthcare plan which provides postemployment healthcare benefits for retirees. The government will continue coverage under its medical insurance plan until the employee is eligible for Medicare in the same manner as then current employees. For employees with twenty years or more of service the government pays the full cost of the coverage. Employees with less than twenty years of service are reimbursed a percentage of coverage based on years of service, but not less than fifty percent. The council may amend the benefit provisions. A separate report was not issued for the plan.

FUNDING POLICY-SHELBYVILLE POWER, WATER, AND SEWERAGE SYSTEMS

Employees pay the premium except for a small amount contributed by the Systems that is based on years of service. Payments in the amount of \$2,837 were made during the year ended June 30, 2014. The Systems intend to continue their policy of funding OPEB liabilities on a pay-as-you-go basis and to not pre-fund any unfunded annual required contribution as determined under GASB statement 45.

FUNDING POLICY-GENERAL GOVERNMENT

Retirees are not required to make any contributions. The benefits of the postretirement benefit plans are unfunded, and no assets have been segregated and restricted to provide for postretirement medical benefits. For the year ended June 30, 2014, the City contributed \$20,121 to fund premiums for retirees receiving benefits.

ANNUAL OPEB COST, NET OPEB OBLIGATION AND FUNDED STATUS

Both plans' annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of OPEB cost for the year, the amount actually contributed to the plans, and changes in the net OPEB obligation:

	<u>SPWS</u>	<u>General Government</u>
Annual required contribution	\$ 18,189	\$ 141,517
Interest on net OPEB obligation	2,498	12,412
Amortization of net OPEB obligation	<u>(3,030)</u>	<u>(20,799)</u>
Annual OPEB cost (expense)	17,657	133,130
Contributions made	<u>(4,171)</u>	<u>(20,121)</u>
Increase in net OPEB obligation	13,486	113,009
Net OPEB obligation, beginning of year	<u>55,521</u>	<u>413,739</u>
Net OPEB obligation, end of year	<u>\$ 69,007</u>	<u>\$ 526,748</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)****CITY OF SHELBYVILLE, TENNESSEE****June 30, 2014****NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the plan for current and preceding two fiscal years are as follows:

**General Government:**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 133,130	15.1%	\$ 526,748
June 30, 2013	142,126	24.0%	413,739
June 30, 2012	145,198	33.2%	305,765

**Enterprise Funds:**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 17,657	23.6%	\$ 69,007
June 30, 2013	17,791	20.5%	55,521
June 30, 2012	17,474	25.4%	41,373

As of July 1, 2013, the most recent actuarial valuation date, both plans were 0% funded.

**ACTUARIAL METHODS AND ASSUMPTIONS**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial accrued unfunded liability (UAAL) for benefits at June 30, 2014, as well as actuarial methods and assumptions for both plans, was as follows:

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

**NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

	<u>Systems</u>	<u>General Government</u>
Actuarial valuation date	7/01/2014	7/01/2013
UAAL	\$ 152,076	\$ 1,089,405
Covered payroll	\$ 3,816,719	\$ 6,001,271
Ratio of UAAL to covered payroll	3.99%	17.0%
Actuarial cost method	Projected unit credit	Projected unit cost
Remaining amortization period	24 yrs	25 yrs
Inflation rate	4.5%	3.0%

The actuarial assumptions include an annual medical cost trend rate. For the Systems the medical cost trend rate is 8% initially reduced by the decrements to an ultimate rate of 5% after three years. For the general government the medical cost trend rate is 5%. The valuations did not include an investment rate of return on plan assets as there were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historic pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**NOTE K - RETIREMENT HEALTH SAVINGS PROGRAM**

The City's general government sponsors a retiree health savings plan for all full-time employees who have completed one year of service. Prior to January 1, 2014, the general government contributed 2% of each eligible employee's annual salary to the plan. Employees are vested 50% in employer contributions after 3 years of service, 60% after 4 years, 75% after 5 years, 90% after 6 years, and 100% after 7 years of service. Employees are eligible to receive benefits at retirement, age 60, or immediately upon separation from service. Eligible benefits consist of all medical expenses eligible under IRC Section 213 other than direct long-term care expenses. Effective February, 2008, employees may no longer contribute to the plan. Total employer contributions for the plan year were \$24,629.

Effective January 1, 2014, the employer no longer may contribute to the plan. The plan will remain active until all funds are utilized.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

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**NOTE L - JOINT VENTURES**

The City of Shelbyville and Bedford County jointly fund the Argie Cooper Public Library (the Library), which operates under Tennessee state law and the rules and regulations of the Highland Rim Regional Library. The Library is governed by a voluntary, fourteen member Board of Directors, seven appointed by the County and seven by the City. The City has control over budgeting and financing of the joint venture only to the extent of representation by the seven board members appointed. The City contributed \$136,000 to the operations of the Library during the year ended June 30, 2014. Complete financial statements of the Argie Cooper Public Library can be obtained at 100 South Main Street, Shelbyville, Tennessee 37160.

Bedford Railroad Authority (the Authority) was created by Bedford County and the cities of Shelbyville and Wartrace, Tennessee, to provide for the continuation of rail service on a section of existing rail spur line located within Bedford County between the cities of Shelbyville and Wartrace. The Authority is governed by a board of directors including the County Mayor, the Mayor of each city, and members selected by the governing bodies of each county and city who are members of the Authority. For the year ended June 30, 2014, no funds had been contributed by the City of Shelbyville to this organization. Complete financial statements of Bedford Railroad Authority can be obtained at 366 Riverbend Road, Shelbyville, Tennessee 37160.

Summary financial information as of June 30, 2014, of these organizations is shown below.

	<u>Bedford Railroad</u>	<u>Argie Cooper Public Library</u>
Total assets	\$ 4,248,458	\$ 1,144,433
Total liabilities	<u>4,670</u>	<u>136,973</u>
Net position	<u>\$ 4,243,788</u>	<u>\$ 1,007,460</u>
Revenues	\$ 23,479	\$ 865,516
Expenditures	<u>75,870</u>	<u>334,312</u>
Increase (decrease) in net position	<u>\$ (52,391)</u>	<u>\$ 531,204</u>

**NOTE M - NONEXCHANGE TRANSACTION**

The government receives shared revenue from the State of Tennessee for a tax the state assesses on the earnings of certain financial institutions. The government is required to recognize receivables and deferred revenues as the banks earn the income. However, the banks file at different times of the year, and it is difficult to follow state statutes' guidance concerning what time period is being filed on. Therefore, the receivable and deferred revenue at June 30, 2014, are not reasonably estimable and are not included in these financial statements. During the year ended June 30, 2014, the government received \$146,300 from the State of Tennessee for this shared revenue.



**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

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**NOTE N - DEFINED CONTRIBUTION PLAN**

The City's general government participates in a defined contribution plan, City of Shelbyville Employees Defined Contribution and 401(k) Plan (Plan). The Plan was established November 1, 1985, and is administered externally by a plan administrator. Plan provisions are established or amended by council resolution. The Plan covers all employees between twenty-one and sixty-four years of age having completed one year of service. For employees hired prior to July 1, 2004, participation in the plan is voluntary. For employees hired after June 30, 2004, the City contributes an amount equal to 5% of such employees' annual compensation. Employees have the option to invest in group annuity contracts or agreements with financial service providers that offer a wide variety of investment options. Employees are vested 50% after 3 years of service, 60% after 4 years, 75% after five years, 90% after six years, and 100% after 7 years of service. The Plan is qualified under section 401(k) of the Internal Revenue Code. Total employee contributions for the plan year were \$241,892. Employer contributions totaled \$154,685. Employees who retire at or after age 65 are entitled to a joint and survivor annuity, a lump sum payment, installment payments or an annuity purchase.

**NOTE O - DEFERRED COMPENSATION PLAN**

Effective January 1, 2012, the general government offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan allows employees to defer a portion of their salary until future years. Compensation deferred under this plan is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency. The general government has contracted with ICMA Retirement Corporation to administer the Plan. The assets of the Plan are held in trust for the exclusive benefit of the employees and their beneficiaries. Employer contributions to the Plan totaled \$6,174 and employee contributions totaled \$14,187 for the year ended June 30, 2014.

The Systems also offer employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan was adopted in November 1997. Participation in the plan is optional for employees who may defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The financial statements of the Section 457 plan are not reported in these financial statements since the Systems do not have any administrative involvement nor does it perform the investing function for the plan. The amounts deferred are held in trust for the exclusive benefit of employees and is not accessible by the Systems or their creditors. No employer contributions were made for the year ended June 30, 2014.

**NOTE P - RESTRICTED NET POSITION**

Net position of governmental funds restricted by enabling legislation to specific purposes include limited purpose state gasoline and motor fuel taxes and fines and forfeitures from drug related offenses together totaling \$166,072.

NOTES TO FINANCIAL STATEMENTS (Continued)

CITY OF SHELBYVILLE, TENNESSEE

June 30, 2014

NOTE Q - SEIZED MONEY HELD FOR DISPOSITION

As mandated by the State of Tennessee, the City opened a checking account titled "Police Evidence Account" in which seized money awaiting disposition is deposited. When City officers seize money, it is booked as evidence using the police department's normal procedures and then turned over to the City Treasurer for deposit into the above referenced account. A seizure hearing is conducted by the State of Tennessee Department of Safety to determine if the funds were seized pursuant to the applicable sections of Tennessee Code Annotated. The Department of Safety then issues an Order of Delegation and Forfeiture for disposition of the seized funds. The funds are deposited into the Police Drug Fund's regular checking account if the Department of Safety orders that the property be forfeited to the seizing agency. If the Department of Safety orders the return of the funds to the original holder, a check is issued to that individual from the Police Evidence Account. At June 30, 2014, \$7,853 is included in the Police Drug fund as seized money held for disposition.

NOTE R - INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2014, is as follows:

<u>Transfers in:</u>	<u>Transfers out:</u>
	<u>Power fund</u>
General fund	<u>\$ 641,158</u>

During the year the power fund remits in lieu taxes to the general fund on a monthly basis. There were no one-time transfers during the year ended June 30, 2014.

NOTE S - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2014, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Power	State Street Aid	\$ 24,657
Power	General	<u>50,210</u>
Total		<u>\$ 74,867</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2014

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#### NOTE T - GRANTS

The government participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the government may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited, but the government believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the government.

#### NOTE U - BUDGET RESERVE

As of June 30, 2014, the council had identified \$400,000 of the unassigned fund balance as a "budget reserve." The purpose of these funds is to have money available to cover cash needs in the event of a revenue shortfall or unanticipated large expenditure in any budget year. There are no formal constraints placed on the use of these funds, and the council may use the funds or add to the funds at their discretion.

#### NOTE V - SUBSEQUENT EVENT

The government was named as a defendant in a federal lawsuit brought by plaintiffs alleging \$10,000,000 in damages for violation of their constitutional rights to due process concerning their application for a special exemption use permit for a rock quarry and crusher. Subsequent to a decision rendered against the government on July 10, 2014, the government entered into settlement negotiations with the plaintiffs. The parties agreed to a settlement in August, 2014. Significant terms of the settlement agreement include \$3,000,000 payable to the plaintiff. \$2,000,000 is due within thirty days of the signing of the settlement agreement with another \$500,000 due on or before March 1, 2016. The remaining \$500,000 may be paid in five equal installments of \$100,000 over a period of five years with the first payment due on or before March 1, 2017. The government's insurer is responsible for \$500,000 of the initial \$2,000,000.

The amount of the settlement has been recognized as an expense in the government-wide statements. An expenditure for the settlement will only be recognized in the governmental funds when the related liability is due and payable.

#### NOTE W - RISK MANAGEMENT

The government has exposure to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The general government obtains insurance coverage covering these risks through a public risk entity pool (Pool) established by the Tennessee Municipal League. The Pool limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring certain levels of risks with various reinsurance companies. In general, such reinsurance contracts limit the Pool's retention on individual occurrences as follows: workers' compensation - \$1,250,000; general liability, personal injury liability, errors and omissions liability and auto liability - \$700,000; property and crime coverage - \$300,000. Failure to perform on the part of the commercial insurance companies could result in additional assessments to the members of the Pool. No estimate of any possible future assessments has been made. The amounts of settlements have not exceeded insurance coverage for any of the past three fiscal years. However, see Note V for a significant settlement occurring subsequent to June 30, 2014.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

**NOTE W - RISK MANAGEMENT (Continued)**

The general government continues to carry commercial insurance for all other risks of loss, including disability and employee health and accident. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Systems are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Systems purchase commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE X - GASB STATEMENT NUMBER 65 IMPLEMENTATION, CORRECTION OF AN ERROR AND PRIOR-PERIOD ADJUSTMENTS**

Effective for the fiscal year ending June 30, 2014, the government implemented the provisions of GASBS 65, *Items Previously Reported as Assets and Liabilities*. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. Among these items, the statement requires debt issuance costs, except any portion related to prepaid insurance costs, to be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this Statement are to be applied retroactively by restating financial statements.

A prior-period adjustment has been made to the net position of the governmental activities to include the cost of capital assets constructed by the government in the previous fiscal year. Had this error not occurred the change in net position of the governmental activities for the year ended June 30, 2013, would have been increased \$170,419.

The cumulative effect of applying GASB 65 and correcting the error has been the restatement of beginning net position as follows:

	Governmental Activities	Business-type Activities
Net position June 30, 2013 as previously reported	\$ 31,905,210	\$ 72,881,136
GASB 65 implementation- unamortized debt issuance costs	-	(97,257)
Correction of error	<u>170,419</u>	<u>-</u>
Net position June 30, 2013, restated	<u>\$ 32,075,629</u>	<u>\$ 72,783,879</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**POST-EMPLOYMENT BENEFITS**  
**SCHEDULE OF FUNDING PROGRESS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**June 30, 2014**

Shelbyville Power, Water and Sewerage Systems medical plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	-	152,076	152,076	0.0	3,816,719	3.99
July 1, 2012	-	152,076	152,076	0.0	3,790,091	4.02
July 1, 2011	-	152,076	152,076	0.0	3,608,384	4.22

City of Shelbyville post-employment health benefits plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$ -	\$ 1,018,999	\$ 1,018,999	0.0%	\$ 6,001,271	16.98%
July 1, 2012	-	1,096,852	1,096,852	0.0	5,588,802	19.63
July 1, 2011	-	1,089,405	1,089,405	0.0	5,588,802	19.50

# REQUIRED SUPPLEMENTARY INFORMATION

## PENSION BENEFITS

### SCHEDULE OF FUNDING PROGRESS

#### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2014

#### Retirement Plan for Full-Time Employees of the City of Shelbyville, Tennessee

*(Dollar amounts in thousands)*

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) – (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
January 1, 2012	\$ 6,242	\$ 9,852	\$ 3,610	63.3%	\$ 3,169	113.90%
January 1, 2013	7,312	11,701	4,389	62.5	3,157	139.01
January 1, 2014	8,735	10,296	1,561	84.8	3,110	50.16

#### Shelbyville Power, Water and Sewerage Systems pension plan

*(Dollar amounts in thousands)*

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) – (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
October 1, 2011	\$11,611	\$15,813	\$4,203	73.4%	\$3,452	121.74%
October 1, 2012	12,427	16,898	4,472	73.5	3,652	122.45
October 1, 2013	13,738	18,178	4,439	75.6	3,757	118.18

## **SUPPLEMENTAL INFORMATION**

## NONMAJOR GOVERNMENTAL FUNDS

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

State Street Aid Fund - This fund is used to account for the government's share of gasoline and motor vehicle fuel tax revenues that are legally restricted for street-related purposes.

Hotel/ Motel Fund - This fund is used to account for the privilege tax levied upon the privilege of occupancy in any hotel by each transient which is legally restricted for specific purposes.

Police Drug Fund - This fund is used to account for the government's use of fines from drug offenses and forfeited cash and the proceeds from the sale of property forfeited to the city.

Police Equipment Fund - This fund is used to account for court fines collected and used to purchase equipment for the police department.

### **Capital Projects Funds**

Greenway Fund - This fund is used to account for grants funding the construction of a recreational walkway trail.



**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CITY OF SHELBYVILLE, TENNESSEE**

**For the year ended June 30, 2014**

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Greenway	
Assets:						
Cash in bank	\$ 103,231	\$ -	\$ 40,442	\$ 18,670	\$ 30,000	\$ 192,343
Intergovernmental receivable	87,500	-	-	4,554	-	92,054
Other assets	-	-	-	-	-	-
Taxes receivable	-	19,345	-	-	-	19,345
Total assets	<u>\$ 190,731</u>	<u>\$ 19,345</u>	<u>\$ 40,442</u>	<u>\$ 23,224</u>	<u>\$ 30,000</u>	<u>\$ 303,742</u>
Liabilities:						
Accounts payable	\$ 2	\$ 19,345	\$ -	\$ 400	\$ -	\$ 19,747
Funds held in trust	-	-	7,853	-	-	7,853
Due to proprietary funds	24,657	-	-	-	-	24,657
Total liabilities	<u>24,659</u>	<u>19,345</u>	<u>7,853</u>	<u>400</u>	<u>-</u>	<u>52,257</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	166,072	-	32,589	22,824	-	221,485
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	30,000	30,000
Total fund balances	<u>166,072</u>	<u>-</u>	<u>32,589</u>	<u>22,824</u>	<u>30,000</u>	<u>251,485</u>
Total liabilities and fund balances	<u>\$ 190,731</u>	<u>\$ 19,345</u>	<u>\$ 40,442</u>	<u>\$ 23,224</u>	<u>\$ 30,000</u>	<u>\$ 303,742</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**

**For the year ended June 30, 2014**

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	State Street Aid	Hotel/ Motel	Police Drug	Police Equipment	Greenway	
Revenues:						
Intergovernmental	\$ 526,518	\$ -	\$ -	\$ 10,061	\$ -	\$ 536,579
Taxes	-	145,116	-	-	-	145,116
Interest income	185	-	32	-	-	217
Fines and forfeitures	-	-	12,545	5,524	-	18,069
Miscellaneous	-	-	-	359	-	359
Total revenues	<u>526,703</u>	<u>145,116</u>	<u>12,577</u>	<u>15,944</u>	<u>-</u>	<u>700,340</u>
Expenditures:						
Public works	502,773	-	-	-	-	502,773
Public safety	-	-	1,534	33,286	-	34,820
Industrial development	-	145,116	-	-	-	145,116
Total expenditures	<u>502,773</u>	<u>145,116</u>	<u>1,534</u>	<u>33,286</u>	<u>-</u>	<u>682,709</u>
Excess of revenues over (under) expenditures	<u>23,930</u>	<u>-</u>	<u>11,043</u>	<u>(17,342)</u>	<u>-</u>	<u>17,631</u>
Other financing sources (uses):						
Sales of capital assets	-	-	2,500	-	-	2,500
Transfers in - general fund	-	-	-	-	-	-
Transfers out - general fund	-	-	-	-	-	-
Net change in fund balances	<u>23,930</u>	<u>-</u>	<u>13,543</u>	<u>(17,342)</u>	<u>-</u>	<u>20,131</u>
Fund balances - July 1, 2013	<u>142,142</u>	<u>-</u>	<u>19,046</u>	<u>40,166</u>	<u>30,000</u>	<u>231,354</u>
Fund balances - June 30, 2014	<u>\$ 166,072</u>	<u>\$ -</u>	<u>\$ 32,589</u>	<u>\$ 22,824</u>	<u>\$ 30,000</u>	<u>\$ 251,485</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - STATE STREET AID SPECIAL REVENUE FUND**  
**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Apportionment of gasoline tax from State of Tennessee	\$ 526,878	\$ 522,547	\$ 526,518	\$ 3,971
Interest income	200	200	185	(15)
	<u>527,078</u>	<u>522,747</u>	<u>526,703</u>	<u>3,956</u>
Expenditures:				
Street lighting	297,027	281,290	280,633	657
Street maintenance	180,000	152,888	152,888	-
Salt expense	15,000	6,908	6,908	-
Street marking	15,000	15,000	-	15,000
Other equipment	15,000	12,398	12,398	-
Vehicles	37,500	36,264	36,264	-
Capital outlay	15,000	13,682	13,682	-
	<u>574,527</u>	<u>518,430</u>	<u>502,773</u>	<u>15,657</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (47,449)</u>	<u>\$ 4,317</u>	23,930	<u>\$ 19,613</u>
Fund balance - July 1, 2013			<u>142,142</u>	
Fund balance - June 30, 2014			<u>\$ 166,072</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - HOTEL/ MOTEL SPECIAL REVENUE FUND**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**For the year ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes	\$ 142,000	\$ 147,825	\$ 145,116	\$ (2,709)
Interest income	-	-	-	-
	<u>142,000</u>	<u>147,825</u>	<u>145,116</u>	<u>(2,709)</u>
Expenditures:				
Payments to Chamber of Commerce	138,983	144,684	142,093	2,591
Accounting services	3,017	3,141	3,023	118
TOTAL EXPENDITURES	<u>142,000</u>	<u>147,825</u>	<u>145,116</u>	<u>2,709</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - July 1, 2013			-	
Fund balance - June 30, 2014			<u>\$ -</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - POLICE DRUG SPECIAL REVENUE FUND**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**For the year ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	\$ 1,200	\$ 5,787	\$ 3,125	\$ (2,662)
Forfeitures	1,000	-	9,420	9,420
Interest income	120	21	32	11
TOTAL REVENUES	<u>2,320</u>	<u>5,808</u>	<u>12,577</u>	<u>6,769</u>
Expenditures:				
Drug dog expense	2,280	1,575	1,516	59
Employee education and training	200	-	-	-
Maintenance and repairs - vehicle	-	-	18	(18)
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>2,480</u>	<u>1,575</u>	<u>1,534</u>	<u>41</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(160)	4,233	11,043	6,810
Other financing sources:				
Sales of capital assets	-	-	2,500	2,500
NET CHANGE IN FUND BALANCE	<u>\$ (160)</u>	<u>\$ 4,233</u>	<u>13,543</u>	<u>\$ 9,310</u>
Fund balance - July 1, 2013			19,046	
Fund balance - June 30, 2014			<u>\$ 32,589</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - POLICE EQUIPMENT SPECIAL REVENUE FUND**  
**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2014

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Court fines	\$ 1,200	\$ 5,524	\$ 5,524	\$ -
Forfeitures	-	1,480	-	(1,480)
Police grant	-	10,061	10,061	-
Miscellaneous	-	359	359	-
TOTAL REVENUES	<u>1,200</u>	<u>17,424</u>	<u>15,944</u>	<u>(1,480)</u>
Expenditures:				
Employee education and training	-	-	-	-
Other equipment	-	11,068	11,068	-
Vehicles	-	12,419	12,418	1
Capital outlay	<u>20,700</u>	<u>9,800</u>	<u>9,800</u>	<u>-</u>
TOTAL EXPENDITURES	<u>20,700</u>	<u>33,287</u>	<u>33,286</u>	<u>1</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (19,500)</u>	<u>\$ (15,863)</u>	<u>(17,342)</u>	<u>\$ (1,479)</u>
Fund balance - July 1, 2013			<u>40,166</u>	
Fund balance - June 30, 2014			<u>\$ 22,824</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GREENWAY CAPITAL PROJECTS FUND**  
**CITY OF SHELBYVILLE, TENNESSEE**

For the year ended June 30, 2014

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
Revenues:				
Federal grants	\$ -	\$ -	\$ -	\$ -
Allocated donations	-	-	-	-
TOTAL REVENUES	-	-	-	-
Expenditures:				
Phase II costs	-	-	-	-
Phase III costs	-	-	-	-
Phase V costs	-	-	-	-
Phase VI costs	-	-	-	-
Other costs	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
Other financing sources:				
Transfers in (out) - general fund	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - July 1, 2013			30,000	
Fund balance - June 30, 2014			<u>\$ 30,000</u>	

**SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR - ALL FUNDS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
For the year ended June 30, 2014

Fiscal Year Ending June 30,	Capital Outlay Note Series 2012		Capital Outlay Note SRF 2003-172		Capital Outlay Note SRF 07-206		Water Revenue and Tax Bonds - Series 2007		Water Revenue and Tax Bonds - Series 2011		Capital Outlay Note Energy Savings		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 100,000	\$ 3,045	\$ 214,440	\$ 50,916	\$ 844,668	\$ 343,992	\$ 60,000	\$ 98,208	\$ 180,000	\$ 72,255	\$ 104,000	\$ 43,837	\$ 1,503,108	\$ 612,253
2016	103,000	1,025	218,112	47,244	859,824	328,836	60,000	95,807	180,000	69,555	108,000	41,017	1,528,936	583,484
2017	-	-	221,856	43,500	875,256	313,404	60,000	93,407	185,000	66,817	114,000	38,064	1,456,112	555,192
2018	-	-	225,648	39,708	890,964	297,696	65,000	90,826	190,000	63,768	121,000	34,939	1,492,612	526,937
2019	-	-	229,524	35,832	906,948	281,712	65,000	88,062	190,000	60,205	128,000	31,628	1,519,472	497,439
2020	-	-	233,448	31,908	923,232	265,428	70,000	85,194	200,000	56,305	136,000	28,117	1,562,680	466,952
2021	-	-	237,444	27,912	939,792	248,868	75,000	82,114	200,000	52,105	143,000	24,406	1,595,236	435,405
2022	-	-	241,524	23,832	956,664	231,996	75,000	78,926	205,000	47,445	151,000	20,496	1,629,188	402,695
2023	-	-	245,652	19,704	973,824	214,836	80,000	75,632	210,000	42,360	160,000	16,359	1,669,476	368,891
2024	-	-	249,864	15,492	991,296	197,364	85,000	72,126	215,000	36,940	169,000	11,983	1,710,160	333,905
2025	-	-	254,148	11,208	1,009,092	179,568	85,000	68,514	220,000	31,175	178,000	7,368	1,746,240	297,833
2026	-	-	258,504	6,852	1,027,200	161,460	90,000	64,794	230,000	24,985	188,000	2,500	1,793,704	260,591
2027	-	-	262,819	2,429	1,045,632	143,028	95,000	60,863	235,000	18,357	-	-	1,638,451	224,677
2028	-	-	-	-	1,064,400	124,260	95,000	56,827	240,000	11,350	-	-	1,399,400	192,437
2029	-	-	-	-	1,083,504	105,156	100,000	52,683	250,000	3,875	-	-	1,433,504	161,714
2030	-	-	-	-	1,102,944	85,716	105,000	48,248	-	-	-	-	1,207,944	133,964
2031	-	-	-	-	1,122,744	65,916	110,000	43,518	-	-	-	-	1,232,744	109,434
2032	-	-	-	-	1,142,892	45,768	115,000	38,568	-	-	-	-	1,257,892	84,336
2033	-	-	-	-	1,163,400	25,260	120,000	33,368	-	-	-	-	1,283,400	58,628
2034	-	-	-	-	688,149	5,236	125,000	27,917	-	-	-	-	813,149	33,153
2035	-	-	-	-	99,018	10	130,000	22,243	-	-	-	-	229,018	22,253
2036	-	-	-	-	-	-	135,000	16,313	-	-	-	-	135,000	16,313
2037	-	-	-	-	-	-	145,000	10,013	-	-	-	-	145,000	10,013
2038	-	-	-	-	-	-	150,000	3,375	-	-	-	-	150,000	3,375
	<u>\$ 203,000</u>	<u>\$ 4,070</u>	<u>\$ 3,092,983</u>	<u>\$ 356,537</u>	<u>\$ 19,711,443</u>	<u>\$ 3,665,510</u>	<u>\$ 2,295,000</u>	<u>\$ 1,407,546</u>	<u>\$ 3,130,000</u>	<u>\$ 657,497</u>	<u>\$ 1,700,000</u>	<u>\$ 300,714</u>	<u>\$ 30,132,426</u>	<u>\$ 6,391,874</u>



**UNCOLLECTED DELINQUENT TAXES FILED IN ACCORDANCE WITH APPLICABLE LAWS**

**CITY OF SHELBYVILLE, TENNESSEE**

**Year ended June 30, 2014**

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During the year ended June 30, 2014, the government turned over \$181,970 of 2012 property taxes receivable to the clerk and master in accordance with applicable laws.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - SOLID WASTE FUND**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**For the year ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>Revenues:</b>				
Collection fees - transfer station	\$ 1,920	\$ 1,480	\$ 1,480	\$ -
Recycling	3,492	1,026	1,026	-
<b>TOTAL REVENUES</b>	<b>5,412</b>	<b>2,506</b>	<b>2,506</b>	<b>-</b>
<b>Expenditures:</b>				
Salaries	335,469	337,265	321,243	16,022
Employee recognition	-	-	(1,305)	1,305
Postage	12	-	-	-
Freight	300	453	429	24
Utilities	2,575	4,761	2,751	2,010
Repairs and maintenance	27,229	44,556	36,499	8,057
Landfill services	146,756	177,546	175,332	2,214
State maintenance fee	1,500	1,500	1,500	-
Expendable materials	500	332	332	-
Chemicals	450	-	-	-
Uniforms	2,111	3,036	2,288	748
Gasoline and oil	51,800	49,251	49,251	-
Tools	100	38	38	-
Miscellaneous	300	-	-	-
Capital outlay	189,400	245,122	150,943	94,179
<b>TOTAL EXPENDITURES</b>	<b>758,502</b>	<b>863,860</b>	<b>739,301</b>	<b>124,559</b>
<b>EXCESS OF REVENUES OVER</b>				
<b>(UNDER) EXPENDITURES</b>	<b>(753,090)</b>	<b>(861,354)</b>	<b>(736,795)</b>	<b>124,559</b>
<b>Other financing sources:</b>				
Transfers in - general fund	529,102	529,884	763,056	233,172
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (223,988)</b>	<b>\$ (331,470)</b>	<b>26,261</b>	<b>\$ 357,731</b>
Fund balance - July 1, 2013			49,043	
Fund balance - June 30, 2014			<u>\$ 75,304</u>	

The above schedule is presented to demonstrate compliance with TCA 68-211-874.

# UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS

## CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2014

---

### POWER SYSTEM:

#### RESIDENTIAL

Customer charge	\$ 10.61
Energy charge	\$ 0.09842 per KWH
First 1,000 KWH per month	\$ 109.03

#### COMMERCIAL

##### GSA (less than 50 KW):

If customer's currently effective contract demand, if any, or its highest billing demand during the latest 12 month period is not more than 50 KW and the customer's monthly energy takings for any month during such period do not exceed 15,000 kilowatt hours:

Customer charge	\$ 15.77
Energy charge	\$ 0.10876 per KWH

##### GSA (from 50 KW to 1,000 KW):

If customer's currently effective contract demand, if any, or its highest billing demand during the latest 12 month period is greater than 50 KW but not more than 1,000 KW and the customer's monthly energy takings for any month during such period exceed 15,000 kilowatt hours:

Consumer charge	\$ 46.20
Demand charge:	
First 50 kilowatt hours per month	NO CHARGE
Over 50 kilowatt hours per month	\$ 12.88 per KW
Energy charge:	
First 15,000 kilowatt hours per month	\$ 0.11024 per KWH
Over 15,000 kilowatt hours per month	\$ 0.06752 per KWH

##### GSA3 (Greater than 1,000 KW contract or highest 12 month measured KW greater than 1,000 KW but measured KW for month is less than 1,000 KW):

Customer charge	\$163.67
Demand charge:	
First 1,000 kilowatt hours per month	\$ 11.68 per KW
Over 1,000 kilowatt hours per month	\$ 11.79 per KW
Energy charge – all KWH	\$ 0.07089 per KWH

**UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Continued)****CITY OF SHELBYVILLE, TENNESSEE****Year ended June 30, 2014**

---

**GSA3** (Greater than 1,000 KW contract or highest 12 month measured KW greater than 1,000 KW but measured KW for month is less than 1,000 KW)  
(must be eligible for small manufacturing credit):

Customer charge	\$163.67
Demand charge:	
First 1,000 kilowatt hours per month	\$ 10.30 per KW
Over 1,000 kilowatt hours per month	\$ 10.16 per KW
Energy charge – all KWH	\$ 0.06549 per KWH

**MSB** (Greater than 5,000 KW contract or highest 12 month measured KW greater than 5,000 KW and SIC is 20-39 but measured KW for month is less than 5,000 KW)

Customer charge	\$1,850.00
Demand charge:	
All KW On-Peak	\$ 16.84 per KW
All KW Off-Peak	\$ 4.07 per KW
Energy charge	
First 425 KWH/KW On-Peak (all KWH)	\$ 0.08571 per KWH
First 425 KWH/KW Off-Peak	\$ 0.05051 per KWH
(example 425 * KW compared to measured KWH)	
Next 195 KWH/KW Off-Peak	\$ 0.03136
Additional KWH Off-Peak	\$ 0.01510
Facilities Rental (Delivery Point less than 46 KV)	\$ 0.93 per KW
Equipment Rental	1.5% of installed cost per month

**SMSB** (Greater than 5,000 KW contract or highest 12 month measured KW greater than 5,000 KW and SIC is 20-39 but measured KW for month is less than 5,000 KW)

Customer charge	\$1,850.00
Demand charge:	
All KW	\$ 19.19 per KW
Energy charge	
All KWH	\$ 0.04506 per KWH
Facilities Rental (Delivery Point less than 46 KV)	\$ 0.93 per KW
Equipment Rental	1.5% of installed cost per month

**SECURITY LIGHTS**

175 watt mercury vapor	\$ 7.64
400 watt mercury vapor (Flood or Cobra head)	\$ 14.97
200 watt high pressure sodium	\$ 10.38
250 watt high pressure sodium	\$ 12.00
100 watt high pressure sodium	\$ 7.08

**UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS (Continued)****CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2014

**WATER SYSTEM:**Residential, Commercial and Industrial

			<u>Inside City</u>	<u>Outside City</u>
First	2,000	gallons	\$ 11.40 minimum charge	\$ 15.20 minimum charge
Next	8,000	gallons	4.30 per 1,000 gallons	6.00 per 1,000 gallons
Next	10,000	gallons	2.75 per 1,000 gallons	3.85 per 1,000 gallons
Next	30,000	gallons	2.40 per 1,000 gallons	3.30 per 1,000 gallons
Next	50,000	gallons	2.15 per 1,000 gallons	3.00 per 1,000 gallons
Over	100,000	gallons	2.05 per 1,000 gallons	2.65 per 1,000 gallons

An additional \$.05 per 1,000 gallons for Duck River Agency charge is included in billing, but is not reflected in the above rates.

Utility Districts

Flat Creek Water Co-op -  
 First 6,000,000 gallons  
 Over 6,000,000 gallons

Inside Rate  
 \$2.75 per 1,000 gallons

Sprinkler Connections

Valve heads or fire hydrants  
 City fire hydrants

\$23.60 per month  
 10.30 per month

**SEWERAGE SYSTEM:**

			<u>Inside City</u>	<u>Outside City</u>
First	2,000	gallons	\$16.70 minimum charge	\$21.50 minimum charge
Next	8,000	gallons	7.40 per 1,000 gallons	9.55 per 1,000 gallons
Next	10,000	gallons	5.75 per 1,000 gallons	7.00 per 1,000 gallons
Next	30,000	gallons	5.10 per 1,000 gallons	6.15 per 1,000 gallons
Next	50,000	gallons	4.75 per 1,000 gallons	5.75 per 1,000 gallons
Over	100,000	gallons	4.40 per 1,000 gallons	5.50 per 1,000 gallons

**Average number of customers for fiscal year 2014:**

Power System 9,882  
 Water System 8,850  
 Sewerage System 8,037

AWWA REPORTING WORKSHEET  
CITY OF SHELBYVILLE  
JUNE 30, 2014

AWWA WLCC Free Water Audit Software: Reporting Worksheet										<a href="#" style="color: white; text-decoration: none;">Back to Instructions</a>																														
<input style="border: 1px solid black; padding: 2px;" type="button" value="?"/> Click to access definition		<b>Water Audit Report for:</b> <span style="border: 1px solid black; padding: 2px;">Shelbyville Power, Water &amp; Sewerage System</span>																																						
		<b>Reporting Year:</b> <span style="border: 1px solid black; padding: 2px;">2014</span>		<span style="border: 1px solid black; padding: 2px;">7/2013 - 6/2014</span>																																				
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of																																								
<b>All volumes to be entered as: MILLION GALLONS (US) PER YEAR</b>																																								
<b>WATER SUPPLIED</b> <div style="text-align: right; font-size: small;">&lt;&lt; Enter grading in column 'E'</div> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Volume from own sources:</td> <td style="width: 5%; text-align: center;">?</td> <td style="width: 5%; text-align: center;">E</td> <td style="width: 15%; border: 1px solid black; padding: 2px;">1,370.069</td> <td style="width: 35%; font-size: small;">Million gallons (US)/yr (MG/Yr)</td> </tr> <tr> <td>Master meter error adjustment (enter positive value):</td> <td style="text-align: center;">?</td> <td style="text-align: center;">4</td> <td style="border: 1px solid black; padding: 2px;">0.020</td> <td style="font-size: small;">under-registered MG/Yr</td> </tr> <tr> <td>Water imported:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">n/a</td> <td style="border: 1px solid black; padding: 2px;"></td> <td style="font-size: small;">MG/Yr</td> </tr> <tr> <td>Water exported:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">n/a</td> <td style="border: 1px solid black; padding: 2px;"></td> <td style="font-size: small;">MG/Yr</td> </tr> <tr> <td colspan="3"><b>WATER SUPPLIED:</b></td> <td style="border: 1px solid black; padding: 2px;">1,370.089</td> <td style="font-size: small;">MG/Yr</td> </tr> </table>												Volume from own sources:	?	E	1,370.069	Million gallons (US)/yr (MG/Yr)	Master meter error adjustment (enter positive value):	?	4	0.020	under-registered MG/Yr	Water imported:	?	n/a		MG/Yr	Water exported:	?	n/a		MG/Yr	<b>WATER SUPPLIED:</b>			1,370.089	MG/Yr				
Volume from own sources:	?	E	1,370.069	Million gallons (US)/yr (MG/Yr)																																				
Master meter error adjustment (enter positive value):	?	4	0.020	under-registered MG/Yr																																				
Water imported:	?	n/a		MG/Yr																																				
Water exported:	?	n/a		MG/Yr																																				
<b>WATER SUPPLIED:</b>			1,370.089	MG/Yr																																				
<b>AUTHORIZED CONSUMPTION</b> <div style="float: right; font-size: small;">           Click here: <input style="border: 1px solid black; padding: 2px;" type="button" value="?"/>            for help using option buttons below         </div> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Billed metered:</td> <td style="width: 5%; text-align: center;">?</td> <td style="width: 5%; text-align: center;">9</td> <td style="width: 15%; border: 1px solid black; padding: 2px;">1,050.320</td> <td style="width: 35%; font-size: small;">MG/Yr</td> </tr> <tr> <td>Billed unmetered:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">n/a</td> <td style="border: 1px solid black; padding: 2px;"></td> <td style="font-size: small;">MG/Yr</td> </tr> <tr> <td>Unbilled metered:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">7</td> <td style="border: 1px solid black; padding: 2px;">35.808</td> <td style="font-size: small;">MG/Yr</td> </tr> <tr> <td>Unbilled unmetered:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">7</td> <td style="border: 1px solid black; padding: 2px;">50.058</td> <td style="font-size: small;">MG/Yr</td> </tr> <tr> <td colspan="3"><b>AUTHORIZED CONSUMPTION:</b></td> <td style="border: 1px solid black; padding: 2px;">1,136.186</td> <td style="font-size: small;">MG/Yr</td> </tr> </table> <div style="float: right; margin-top: 10px; font-size: small;">       Pcnt: <span style="border: 1px solid black; padding: 2px;">50.058</span> Value: <span style="border: 1px solid black; padding: 2px;"></span>        Use buttons to select percentage of water supplied OR value     </div>												Billed metered:	?	9	1,050.320	MG/Yr	Billed unmetered:	?	n/a		MG/Yr	Unbilled metered:	?	7	35.808	MG/Yr	Unbilled unmetered:	?	7	50.058	MG/Yr	<b>AUTHORIZED CONSUMPTION:</b>			1,136.186	MG/Yr				
Billed metered:	?	9	1,050.320	MG/Yr																																				
Billed unmetered:	?	n/a		MG/Yr																																				
Unbilled metered:	?	7	35.808	MG/Yr																																				
Unbilled unmetered:	?	7	50.058	MG/Yr																																				
<b>AUTHORIZED CONSUMPTION:</b>			1,136.186	MG/Yr																																				
<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b> <span style="border: 1px solid black; padding: 2px; float: right;">233.903</span> MG/Yr																																								
<b>Apparent Losses</b> <div style="float: right; font-size: small;">       Pcnt: <span style="border: 1px solid black; padding: 2px;">0.25%</span> Value: <span style="border: 1px solid black; padding: 2px;"></span> </div> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Unauthorized consumption:</td> <td style="width: 5%; text-align: center;">?</td> <td style="width: 5%; text-align: center;">5</td> <td style="width: 15%; border: 1px solid black; padding: 2px;">3.425</td> <td style="width: 35%; font-size: small;">MG/Yr</td> </tr> <tr> <td colspan="5" style="font-size: small;">Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed</td> </tr> <tr> <td>Customer metering inaccuracies:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">8</td> <td style="border: 1px solid black; padding: 2px;">33.592</td> <td style="font-size: small;">MG/Yr</td> </tr> <tr> <td>Systematic data handling errors:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">5</td> <td style="border: 1px solid black; padding: 2px;"></td> <td style="font-size: small;">MG/Yr</td> </tr> <tr> <td colspan="3"><b>Apparent Losses:</b></td> <td style="border: 1px solid black; padding: 2px;">37.017</td> <td style="font-size: small;">MG/Yr</td> </tr> </table> <div style="border: 1px solid red; padding: 2px; font-size: small; margin-top: 5px;">       Systematic data handling errors are likely, please enter a non-zero value; otherwise grade = 5     </div> <div style="float: right; margin-top: 10px; font-size: small;">       Choose this option to enter a percentage of billed metered consumption. This is NOT a default value     </div>												Unauthorized consumption:	?	5	3.425	MG/Yr	Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed					Customer metering inaccuracies:	?	8	33.592	MG/Yr	Systematic data handling errors:	?	5		MG/Yr	<b>Apparent Losses:</b>			37.017	MG/Yr				
Unauthorized consumption:	?	5	3.425	MG/Yr																																				
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Systematic data handling errors:	?	5		MG/Yr																																				
<b>Apparent Losses:</b>			37.017	MG/Yr																																				
<b>Real Losses (Current Annual Real Losses or CARL)</b> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Real Losses = Water Losses - Apparent Losses:</td> <td style="width: 5%; text-align: center;">?</td> <td style="width: 5%; text-align: center;"></td> <td style="width: 15%; border: 1px solid black; padding: 2px;">196.886</td> <td style="width: 35%; font-size: small;">MG/Yr</td> </tr> <tr> <td colspan="3"><b>WATER LOSSES:</b></td> <td style="border: 1px solid black; padding: 2px;">233.903</td> <td style="font-size: small;">MG/Yr</td> </tr> </table>												Real Losses = Water Losses - Apparent Losses:	?		196.886	MG/Yr	<b>WATER LOSSES:</b>			233.903	MG/Yr																			
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<b>NON-REVENUE WATER</b> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">NON-REVENUE WATER:</td> <td style="width: 5%; text-align: center;">?</td> <td style="width: 5%; text-align: center;"></td> <td style="width: 15%; border: 1px solid black; padding: 2px;">319.769</td> <td style="width: 35%; font-size: small;">MG/Yr</td> </tr> <tr> <td colspan="5" style="font-size: small;">= Total Water Loss + Unbilled Metered + Unbilled Unmetered</td> </tr> </table>												NON-REVENUE WATER:	?		319.769	MG/Yr	= Total Water Loss + Unbilled Metered + Unbilled Unmetered																							
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<b>SYSTEM DATA</b> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Length of mains:</td> <td style="width: 5%; text-align: center;">?</td> <td style="width: 5%; text-align: center;">10</td> <td style="width: 15%; border: 1px solid black; padding: 2px;">202.0</td> <td style="width: 35%; font-size: small;">miles</td> </tr> <tr> <td>Number of active AND inactive service connections:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">9</td> <td style="border: 1px solid black; padding: 2px;">9,228</td> <td></td> </tr> <tr> <td>Connection density:</td> <td></td> <td></td> <td style="border: 1px solid black; padding: 2px;">46</td> <td style="font-size: small;">conn./mile main</td> </tr> <tr> <td>Average length of customer service line:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">7</td> <td style="border: 1px solid black; padding: 2px;">27.0</td> <td style="font-size: small;">ft (pipe length between curbstop and customer meter or property boundary)</td> </tr> <tr> <td>Average operating pressure:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">7</td> <td style="border: 1px solid black; padding: 2px;">74.0</td> <td style="font-size: small;">psi</td> </tr> </table>												Length of mains:	?	10	202.0	miles	Number of active AND inactive service connections:	?	9	9,228		Connection density:			46	conn./mile main	Average length of customer service line:	?	7	27.0	ft (pipe length between curbstop and customer meter or property boundary)	Average operating pressure:	?	7	74.0	psi				
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* only the most applicable of these two indicators will be calculated																																								
<b>WATER AUDIT DATA VALIDITY SCORE:</b> <div style="text-align: center; border: 1px solid black; padding: 5px; margin: 10px 0;"> <b>*** YOUR SCORE IS: 79 out of 100 ***</b> </div> <p style="font-size: small;">A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score</p> <p><b>PRIORITY AREAS FOR ATTENTION:</b>        Based on the information provided, audit accuracy can be improved by addressing the following components:</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <div style="border: 1px solid red; padding: 2px; margin-bottom: 5px;">1: Master meter error adjustment</div> <div style="border: 1px solid red; padding: 2px; margin-bottom: 5px;">2: Volume from own sources</div> <div style="border: 1px solid red; padding: 2px;">3: Unauthorized consumption</div> </div> <div style="width: 45%; text-align: center;"> <div style="border: 1px solid black; padding: 5px; background-color: #4F81BD; color: white; display: inline-block;">           For more information, click here to see the Grading Matrix worksheet         </div> </div> </div>																																								

# SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE-BY LEVY YEAR

## CITY OF SHELBYVILLE, TENNESSEE

Year ended June 30, 2014

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<u>Tax Year</u>	Balance June 30, 2013	Taxes Levied	Collections	Discoveries and Adjustments	Balance June 30, 2014
2014	\$ -	\$ 5,842,142	\$ (4,590)	\$ -	\$ 5,837,552
2013	6,012,870	-	(5,774,750)	185,657	423,777
2012	532,571	-	(326,334)	3,739	209,976
2011	243,508	-	(171,196)	3,893	76,205
2010	21,290	-	(8,595)	-	12,695
2009	8,966	-	(1,812)	-	7,154
2008	6,475	-	(1,737)	-	4,738
2007	6,396	-	(439)	-	5,957
2006	4,327	-	(192)	-	4,135
2005	5,359	-	(150)	-	5,209
2004	1,212	-	-	-	1,212
2003	487	-	-	-	487
2002	110	-	-	-	110
2001	312	-	-	-	312
2000	1,818	-	-	-	1,818
	<u>\$ 6,845,701</u>	<u>\$ 5,842,142</u>	<u>\$ (6,289,795)</u>	<u>\$ 193,289</u>	<u>6,591,337</u>

Less estimated uncollectible accounts	(22,551)
Net receivable balance June 30, 2014	<u>\$ 6,568,786</u>

NOTE: All uncollected taxes for years prior to 2013 have been turned over to the Clerk and Master for collection.

**PROPERTY TAX RATES AND ASSESSMENTS – LAST TEN YEARS**

**CITY OF SHELBYVILLE, TENNESSEE**

**Year ended June 30, 2014**

---

<u>Tax Year</u>	Total Assessed <u>Value</u>	<u>Tax Rate</u>	<u>Levy</u>
2014	\$ 358,392,913	\$ 1.65	\$ 5,912,516
2013	357,132,772	1.65	5,892,788
2012	354,545,784	1.65	5,850,117
2011	346,455,651	1.65	5,716,613
2010	340,979,371	1.41	4,807,791
2009	353,220,696	1.41	4,980,363
2008	346,666,837	1.41	4,887,976
2007	348,923,684	1.41	4,919,810
2006	340,454,422	1.41	4,800,354
2005	275,559,867	1.47	4,050,746



## **INTERNAL CONTROL AND COMPLIANCE/SINGLE AUDIT SECTION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**CITY OF SHELBYVILLE, TENNESSEE**

Year ended June 30, 2014

Grantor Agency	CFDA Number	Contract Number	Beginning Accrued	Cash Receipts	Cash Expenditures	Ending Accrued
<u>FEDERAL AWARDS</u>						
Department of Transportation (1)	20.205	STP-M-9314(6)	\$ 522,231	\$ 522,231	\$ -	\$ -
Department of Justice (2)	16.607	2011BUBX11058112	3,674	3,674	-	-
Department of Transportation (1)	20.607	154AL-14-300	-	675	675	-
Department of Justice (2)	16.738	23024	-	5,507	10,061	4,554
Department of Transportation (1)	20.205	STP-M-NH-16(44)	-	-	88,133	88,133
Department of Transportation (1)	20.205	STP-M-NH-64(18)	-	-	109,594	109,594
Department of Transportation (1)	20.106	3-47-SBGP-44	539,291	2,914,042	2,382,229	7,478
		TOTAL FEDERAL AWARDS	1,065,196	3,446,129	2,590,692	209,759
<u>STATE FINANCIAL ASSISTANCE</u>						
TN Dept. of Transportation	N/A	AERM-14-392	-	7,715	9,837	2,122
TN Dept. of Transportation	N/A	AERO-M13-325	5,756	5,756	-	-
TN Dept. of Transportation	N/A	CMA-1518	-	80,150	88,223	8,073
TN Dept. of Transportation	N/A	CMA-1457	85,286	85,286	-	-
TN Dept. of Transportation	N/A	AERO-13-147-00	29,961	161,892	132,346	415
TN Dept. of Environment and Conservation	N/A	Unknown	24,898	24,898	-	-
TN Dept. of Transportation	N/A	STP-M-NH-16(44)	-	-	22,033	22,033
		TOTAL STATE FINANCIAL ASSISTANCE	145,901	365,697	252,439	32,643
		TOTAL FEDERAL AND STATE AWARDS	\$ 1,211,097	\$ 3,811,826	\$ 2,843,131	\$ 242,402

**Note 1:** This Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of City of Shelbyville under programs of the federal and state governments for the year ended June 30, 2014. The schedule is presented using the modified accrual basis of accounting.

(1) - Federal funds passed through the State of Tennessee, Department of Transportation

(2) - Federal funds passed through the State of Tennessee, Department of Finance and Administration, Office of Criminal Justice Programs

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Councilmembers  
City of Shelbyville  
Shelbyville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Shelbyville, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Shelbyville, Tennessee's basic financial statements and have issued our report thereon dated December 19, 2014. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Shelbyville Power, Water, and Sewerage Systems, as described in our report on City of Shelbyville, Tennessee's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Shelbyville, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Shelbyville, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Shelbyville, Tennessee's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2011-2, 2013-2, 2013-4, 2014-1, and 2014-2) A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Shelbyville, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City of Shelbyville, Tennessee's Response to Findings**

City of Shelbyville, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Shelbyville, Tennessee's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Winnett Associates, PLLC*

December 19, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and City Councilmembers  
City of Shelbyville, Tennessee  
Shelbyville, Tennessee

**Report on Compliance for each Major Federal Program**

We have audited City of Shelbyville, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Shelbyville, Tennessee's major federal programs for the year ended June 30, 2014. City of Shelbyville, Tennessee's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Shelbyville, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Shelbyville, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Shelbyville, Tennessee's compliance.

***Opinion on each Major Federal Program***

In our opinion, City of Shelbyville, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of City of Shelbyville, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Shelbyville, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Shelbyville, Tennessee's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Winnitt Associates, PLLC*

December 19, 2014

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**CITY OF SHELBYVILLE, TENNESSEE**  
**June 30, 2014**

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**Section I - Summary of auditors' results**

- 1 - Type of auditors' report issued on the financial statements - unmodified
- 2 - Internal control over financial reporting:
- |                                      |               |
|--------------------------------------|---------------|
| Material weaknesses identified?      | yes           |
| Significant deficiencies identified? | none reported |
- 3 - Noncompliance material to the financial statements noted      no
- 4 - Compliance and internal control over compliance for each major program:
- |                                      |               |
|--------------------------------------|---------------|
| Material weaknesses identified?      | none reported |
| Significant deficiencies identified? | none reported |
- 5 - Type of report issued on compliance and internal control over compliance for major programs - unmodified
- 6 - Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?      none reported
- 7 - Programs tested as major programs:
- Airport improvement program, CFDA 20.106
- 8 - Threshold for distinguishing Types A and B programs - \$300,000.
- 9 - The City of Shelbyville, Tennessee did not qualify as a low-risk auditee.

**Section II - Findings - Financial Statements Audit**

**Prior Year Findings - Corrective Action Has Been Taken**

**Finding 2011-3:**

*Condition, Criteria, Cause and Effect:* Tennessee Code Annotated section 6-56-203 requires the City to adopt and operate under an annual budget. Budget ordinances are adopted for the original budget as well as another to amend the budget to reflect actual revenues and expenditures. Audit adjustments resulted in expenditures exceeding the amount appropriated in the general government department.

*Status:* The budget was not overexpended for the year ended June 30, 2014.

**Finding 2013-1**

*Condition, Criteria, Cause and Effect:* The City deeded a railroad spur to the Bedford Railroad Authority prior to June 30, 2013. The costs of the spur were not removed from the City's construction in process and an audit adjustment was necessary to correct the overstatement of construction in progress.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

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#### **Prior Year Findings - Corrective Action Has Been Taken (Continued)**

*Status:* It appears the status of all projects included in construction in progress are being reviewed regularly and assets removed accordingly.

##### Finding 2013-3

*Condition, Criteria, Cause and Effect:* The City's accrued accounts receivable listing contained multiple items that had already been received and thus were not receivable as of June 30, 2013. Audit adjustments were necessary to remove these items. Likewise, the accrued accounts payable listing included a payable that had already been paid and an audit adjustment was necessary to remove the overstated payables.

*Status:* It appears the City is reviewing the listings of receivables and payables in a timely manner and identifying amounts received or paid and removing applicable items accordingly.

##### Finding 2013-5

*Condition, Criteria, Cause and Effect:* The City's records must include a liability (deferred revenue) for property taxes receivable but not received within sixty days of the end of the fiscal year. While the City's records do include this liability, the balance could not be supported, and an entry was necessary to adjust the balance.

*Status:* The City is now providing support for the reported amounts.

##### Finding 2013-6

*Condition, Criteria, Cause and Effect:* The City records its accounts payable based on the applicable period as purchases are made and services are incurred. The incorrect period was used for the July 2013 health insurance invoice. Oversight controls did not detect this error resulting in its incorrect inclusion in accounts payable at June 30, 2013 and an overstatement of expenditures. An audit entry was necessary to correct the overstated payable and related expenditure.

*Status:* No similar errors were noted during the current year's audit.

#### **Prior Year-Corrective Action Has Not Been Taken**

##### Finding 2011-2

*Condition, Criteria, Cause and Effect:* Accounting principles address the recording of amounts related to grants. Additionally, the State of Tennessee Department of Audit, *Audit Manual* requires that a Schedule of Expenditures of Federal Awards and State Financial Assistance be included in annual audited financial statements. Audit adjustments were necessary to properly record receivables and payables relative to current year grant activity.

*Status:* Audit adjustments were necessary to properly record revenues and expenditures relative to current year grant activity for the airport taxiway repair grant.



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### CITY OF SHELBYVILLE, TENNESSEE

June 30, 2014

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#### **Prior Year-Corrective Action Has Not Been Taken (Continued)**

*Recommendation:* City personnel should take advantage of opportunities to gain experience and knowledge for proper accounting of grant activity. To aid in this we suggest City personnel draft the state required Schedule of Expenditures of Federal Awards and State Financial Assistance as part of year-end closing procedures.

*Management Response:* Much work has been done to improve the tracking and status of all current grants and grants being applied for. A tracking sheet has been created and used during this year for activity; however there are still some areas that need improvement. We will add a step in our process to create and update the suggested Schedule of Expenditures of Federal Awards and State Financial Assistance.

#### Finding 2013–2

*Condition, Criteria, Cause and Effect:* The City's records include an allowance for uncollectible property taxes. We noted there is no process in place to update this account. An adjustment was necessary to correct the balance presented for audit.

*Status:* No adjustment was necessary for the current year. However, no method for calculating the allowance for doubtful accounts has been developed and the allowance subsequently updated.

*Recommendation:* A method for calculating the allowance for doubtful accounts should be developed and updated regularly.

*Management Response:* The City will implement a procedure to address this and calculate our uncollectible property taxes and add this to our year end procedures.

#### Finding 2013–4

*Condition, Criteria, Cause and Effect:* During the audit we identified several prepaid asset accounts that had not been reconciled during the year audited. In one instance an entry was necessary to correct the recorded balance.

*Status:* During the current year's audit we noted prepaid accounts as well as some payroll liability accounts that had not been balanced. In some instances adjustments were necessary to correct the balances.

*Recommendation:* We recommend the prepaid asset and payroll liability accounts be balanced monthly.

*Management Response:* We agree. A procedure for balancing the prepaid accounts will be implemented on a monthly basis.

#### **Current Year Findings**

#### Finding 2014–1

*Condition, Criteria, Cause and Effect:* During the audit we identified several amounts include in accounts payable that should not have been recognized as liabilities as of June 30, 2014. It appears city personnel were following a policy of recording liabilities at June 30<sup>th</sup> for any items budgeted and received within 60 days after June 30<sup>th</sup>. Adjustments were necessary to remove the accounts payable identified.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**CITY OF SHELBYVILLE, TENNESSEE**

**June 30, 2014**

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**Current Year Findings (Continued)**

*Recommendation:* Accounting principles require recognition of a liability and its related expenditure in the period in which the government receives the goods or services. The City should in the future follow this principle in recording accounts payable.

*Management Response:* Additional training will be pursued on how to accurately record the future accounts payable.

**Finding 2014-2**

*Condition, Criteria, Cause and Effect:* Regarding financial reporting, management is responsible for providing information necessary to convert from the governmental fund basis to the government-wide basis, primarily in the areas of long-term debt and fixed assets. During our audit we noted that some of the long-term debt information had not been updated.

*Recommendation:* Steps should be taken to ensure that all long-term debt activity is documented for its inclusion in the annual audited financial statements.

*Management Response:* We agree. Although this information was provided it was not in a summary format in our long-term debt fund. This will be addressed during the year and at year end and will not reoccur.

**Section III - Findings and questioned costs for Federal awards**

None reported